Austria ... Sch. 22	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din 0.650	Israel .... IS 3.50	Portugal .. Esc 100
Belgium .... BFr 48	Italy ...... L 1800	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y500	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan .... Fils 500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait .... Fils 600	Sri Lanka .. Rup 30
Egypt .... E£2.25	Lebanon . £L 50.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 48	Switzerland SFr 2.20
France .. FFr 6.50	Malaysia .. Rir 4.25	Taiwan .... NT $45
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 0.600
Greece ...... Dr 80	Morocco .. Dh 6.00	Turkey .... L 500
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. .... Dh 8.50
India .... Rup. 15	Norway .. NKr 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,217 Friday April 24 1987 D 8523 B

Czechoslovakia's uphill struggle for reform, Page 2

World news

Palestine targets attacked by Israel

Five people were wounded when Israeli helicopters launched three attacks against Palestinian targets near Sidon, southern Lebanon, and Israeli aircraft *dropped leaflets* warning Shia Moslems against anti-Israeli actions.

Witnesses said Israeli troops with tanks and armoured personnel carriers were massing in Israel's self-declared "security zone" in southern Lebanon.

Meanwhile, Lebanon's Christian and Moslem ministers met for the first time in seven months to discuss their country's economic crisis as an anti-inflation strike closed banks, schools and businesses.

Indonesian poll

President Suharto's ruling Golkar party appeared to be heading for a landslide victory in Indonesia's national elections, taking 80 per cent of the vote in initial returns.

Japanese loan plan

Japan plans to lend up to $30bn to Latin American debtor nations as part of a policy of taking a broader role in the world economy, a special envoy of Japanese Prime Minister Yasuhiro Nakasone said in Washington. Page 26

Iranian missile site

Iran has set up a missile-launching site on captured Iraqi soil within range of Kuwait and its oil tankers, a Gulf military source said. Meanwhile, Iraq said it sank a large Iranian warship and nine smaller boats when they attacked an observation post in the Gulf.

Riot in Tunis

Foreigners were molested and police cars set on fire during an anti-government demonstration by Islamic militants in central Tunis.

Envoy recalled

Turkey recalled its ambassador to Washington for consultations over proposed cuts in US aid. Page 3

N-power shunned

Fifty-three per cent of the Dutch population want to scrap two existing nuclear power plants in the Netherlands and 87 per cent do not want more atomic plants, according to an opinion poll.

Security risk

Sir Maurice Oldfield, former head of MI6, Britain's secret intelligence service, who died in 1981, was "a potential risk to security" because of his homosexual practices, Prime Minister Margaret Thatcher said. Page 11

Nuclear shutdowns

An earthquake hit northern Japan and triggered safety mechanisms on three nuclear plants which *forced them to shut down.*

Doctors' stoppage

Most of Norway's 12,000 doctors staged a three-hour nationwide strike after the Government refused to allow an increase in charges by private-sector physicians.

Strike continues

About 1,700 striking miners in Labin, north-west Yugoslavia, defied a management ultimatum to return to work. The miners are demanding *a 100 per cent wage increase*

Coffee Board fraud

The Coffee Board of Kenya, the statutory body which handles Kenya's coffee sales, lost millions of shillings (more than $1m) through illegal and fraudulent deals, according to documents submitted to Parliament.

New gold coin

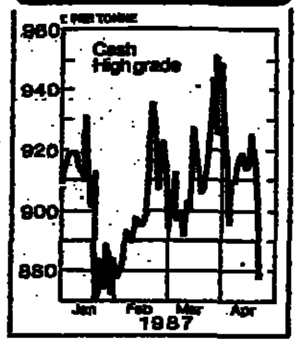
Australia launched the Nugget – a series of gold coins aimed at capturing a slice of the market traditionally dominated by the South African Krugerrand.

Business summary

Chrysler acquires Italian car group

CHRYSLER, US car group which for the past year has shown a growing interest in buying into Italian sportscar makers, agreed to acquire *100 per cent of Lamborghini, Bologna-based* produce of luxury cars. Page 26

COPPER



COPPER fell heavily to £20 a tonne to £877.50. The fall reflected sterling's strength against the dollar and aggressive selling in New York. Page 38.

WALL STREET: The Dow Jones industrial average closed down 4.97 at 2,280.94. Page 50

TOKYO: A volatile session left prices lower amid unease over the yen's strength against the dollar. The Nikkei average fell 73.18 to 24,024.61. Page 50

LONDON: Caution inspired by weak US bond and stock prices was later overtaken by bullishness over the Government's electoral prospects to leave equities higher. The FT-SE 100 index gained 12.6 at 1,968.3 and the FT Ordinary index closed 8.4 up at 1,555.2. Page 50

GOLD rose to $452.875 on the London bullion market ($444.25). It also *rose in Zurich to $450.25 ($446.00).* Page 38.

DOLLAR closed in New York at DM 1.806; SFr 1.4715; FFr 6.0035 and Y140.75. It fell in London to DM 1.8145 (DM 1.8240); to Y141.25 (Y142.35); to SFr 1.4830 (SFr 1.4970); and to FFr 6.0325 (FFr 6.0675). On Bank of England figures the dollar's exchange rate index fell from 101.4 to 101.0. Page 39

STERLING closed in New York at $1.644. It rose in London to $1.6365 ($1.6275); to DM 2.97 (DM 2.9675); but fell to Y231.25 (Y231.75); to FFr 9.8725 (FFr 9.875); and to SFR 2.4275 (SFr 2.4375). The pound's exchange rate index closed at 72.5. Page 39

BANKAMERICA CORPORATION, troubled holding company for Bank of America, second largest US banking group, has managed to stay in the black despite the cost of placing $2.1bn of loans to Latin America on a non-accrual basis. Page 27

ANGLO AMERICAN, leading South African mining house, failed to compensate for a declining rand gold price by increasing gold recovery grades from its mines during the quarter ending on March 31. Page 27

FERMENTA shareholders approved the package put forward by the management to rescue the troubled Swedish antibiotics and chemicals company. Discredited former chief executive Refaat El-Sayed tried to make a last-ditch effort to regain control.

NEDLLOYD, Dutch transportation group, reported a drop in earnings by almost a half to Fl 72m ($36m) in 1986 from Fl 143m the year before mainly because of a decline in energy activities.

NOKIA-MOBIRA, Finnish mobile telephone manufacturer, has entered the US paging operator market by acquiring Diversicom Cue, the country's biggest company in the field.

SALOMON INC, large Wall Street investment bank which has been stepping up its international presence in recent months, reported a downturn in first-quarter earnings yesterday on revenues 7 per cent lower than the year-ago period. Page 27

Boesky pleads guilty to Wall St securities fraud

BY WILLIAM HALL IN NEW YORK

"THEY should not be charging this guy, *they should be awarding him a* 'Grammy' award for singing," observed one hardbitten court reporter as Mr Ivan Boesky, the key figure in Wall Street's fast-growing insider trading scandal, finally had his day in court yesterday.

Six months after he agreed to pay a $100m penalty for illegal insider trading, unleashing a sweeping investigation into Wall Street's questionable business practices, a suntanned Mr Boesky, flanked by his lawyers, made his first public reappearance in a packed Manhattan *court yesterday morning. His famous* grin was nowhere to be seen.

He pleaded guilty before Judge *Morris E. Lasker to filing a false* Schedule 13-D with the US Securities and Exchange Commission concerning the purchase of shares in the Fischbach Corporation, a New York electrical contractor which has been the target of several corporate raiders.

He admitted there had been a secret agreement with certain unnamed conspirators under which he agreed to buy shares in Fischbach and would be "made whole for any losses" he might suffer on the purchases. *Fischbach Corporation was* one of many companies in which Mr Boesky and his associates have been involved.

The guilty plea was part of the original deal worked out between Mr Boesky's lawyers and the US Justice Department under which the 50-year old financier would plead guilty to one criminal charge and help the US Government with its investigations, in a bid to win a lenient sentence.

Judge Lasker, sensitive to accu*sations that he is the most lenient* judge in the district and conscious of widespread criticism that Mr Boesky is in danger of being let off too lightly, told Mr Boesky's lawyers he "wanted to talk turkey today."

Did their client understand that he faced up to five years in jail and a fine of $250,000 for his crimes? he asked. Then he asked a grim-faced Mr Boesky if anyone had told him he would get a lighter sentence if he pleaded guilty.

Mr Boesky answered in the nega*tive and said no-one had put pres*sure on him to plead guilty.

After assuring the judge that he was *in good health, if not high spir*its, a black-suited Mr Boesky was whisked away in a limousine pursued by an army of television cameramen. If all goes according to plan he is scheduled to be back in court at 9.15am on Friday August 21 to hear whether Judge Lasker is as lenient as he is supposed to be.

After the court hearing, Mr Rudolph Giuliani, the crusading district attorney whose battle to clean up Wall Street has made him a frontrunner to take over the SEC when Mr John Shad, the current *chairman, retires, held another* news conference where he also went to some lengths to defuse criticism that *Mr Boesky* was being let off too lightly.

He stressed that, unlike Mr Dennis Levine, Mr Boesky's former investment banking associate who started co-operating only after he was arrested, Mr Boesky had offered to help Mr Guiliani and the SEC at a very early stage in the investigation. It would have taken two years to get to the stage where the US Government might have been *able* to convict Mr Boesky, said Mr Guiliani. He stressed that *by then, many of those he was pur*suing might have disappeared.

Ericsson and Matra win battle for control of CGCT

BY PAUL BETTS AND DAVID HOUSEGO IN PARIS

ERICSSON of Sweden in partnership with the French Matra electronics and defence group will take over control next week of Compagnie Generale de Constructions Telephoniques (CGCT), the French state owned public telephone exchange manufacturer which has been at the centre of an international bidding battle for the past year.

This follows the controversial and surprise decision of the French Government yesterday to sell the state group for FFr 500m ($82.4m) to the Ericsson-Matra consortium rather than to rival bids from Siemens of West Germany and AT&T of the US in partnership with Philips of the Netherlands.

The decision provoked an immediate and angry response from both Washington and Bonn which had lobbied for their candidates. The US Government claimed yesterday that the French decision risked fuelling protectionist sentiments in America. The US embassy in Paris issued a statement expressing disappointment and criticising "external political pressures" against the AT&T-Philips bid which had long been seen as the front runner to win the CGCT contest.

In New York AT&T said political considerations had "clearly been a major factor in the French Government's decision. 'It is not acceptable to have a US market that is open to all comers, while markets in other countries are politicised,'" it said.

Siemens said yesterday it regretted the French decision which had to be seen in a political context.

However, Mr Edouard Balladur, the French Finance Minister, defended his Government's choice, claiming that it represented the best solution for CGCT.

But the decision to select the outsider was seen as a political compromise by the French Government, aimed at avoiding even more acrimonious reactions from Washington or Bonn had either the American or German bids been selected.

The French evening newspaper Le Monde described the Government's decision as "Swedish neutrality" in a front page editorial yesterday.

Ericsson said yesterday that, following the CGCT agreement "France now becomes one of our worldwide cornerstones." The Swedish telecommunications group had long been the favoured partner of CGCT's management.

Ericsson will own 26 per cent of CGCT, and through CGCT it will become a second source to the French telecommunications authority for public telephone exchanges supplying it with its AXE digital switch. The main supplier of the French telecommunications authority is Alcatel, the telecommunications group controlled by France's Compagnie Generale d'Electricite.

Mr Hans Golteus, Ericsson's vice president and the Swedish group's main negotiator in the CGCT deal, said Ericsson planned to set up in France a research and development centre for public exchanges. The Ericsson partnership is injecting between FFr 150m and FFr 200m this year in fresh investment and to recapitalise CGCT.

The deal will give Ericsson initial access to 16 per cent of the French public telephone exchange market. But this is likely to increase in the longer term. At the same time, Ericsson plans to use its new French base to expand its export activities, CGCT indicated yesterday.

Apart from Matra, which will control 50.1 per cent of the new CGCT group, Ericsson's partners include the Indosuez French banking group, and Bouygues, the leading French construction company which is keen to develop its services activities. Matra has already taken control of CGCT's private telephone business.

The partners in the CGCT consortium intend to develop the synergies between the public telephone exchange business and the private telecommunications sector.

Ericsson and Matra have also finalised an agreement to develop, produce and market a new digital mobile pan-European telephone system which will also involve CGCT. Ericsson and Matra announced a preliminary agreement on digital mobile telephones last week in what has been criticised by AT&T as a breach of the offer terms in the CGCT bidding competition.

For Ericsson, the deal representes the return of the Swedish group on the French public telephone exchange market after a stormy absence in the past 10 years.

Guinness to write off £125m bid costs

By Clive Wolman in London

GUINNESS, the international drinks company, is writing off £125m ($200m) to cover the costs of "unusual transactions and arrangements" made last year during and after its £2.5bn takeover battle for Distillers, it announced yesterday.

The company said it had now identified all the recipients of the £25m which was paid out, apparently on the authority of Mr Ernest Saunders, the former, dismissed chief executive, for unspecified services connected with the takeover battle.

Many of the recipients of those payments, which may have breached the criminal law or Companies Act, have been hidden behind offshore companies. More details are to be published in a letter to Guinness shareholders on May 5.

The £17m of these payments which have not yet been recovered from the recipients is included in the £125m provision. Another £40m of the provision is to cover "assets which are subject to disputes and legal actions."

This includes the disputed £7.6m payment to the merchant bank, Henry Ansbacher, which led to the resignation of three directors of Morgan Grenfell, Guinness's merchant bank advisers during the bid, and another £50m payment to Bank Leu of Switzerland.

The maximum loss on these payments, which were intended to indemnify investors from any loss on holding Guinness shares, is much less than £40m. But the company has refused to say what the other potential losses are.

The remaining £68m which has been written off is attributed to the $100m investment (then worth £68m) made last May in a limited

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Arms negotiators dismiss Europe's defence fears

BY EDWARD MORTIMER IN LONDON AND WILLIAM DULLFORCE IN GENEVA

THE US and the Soviet Union yesterday hinted at impatience with West European misgivings that might delay an agreement on the removal of intermediate-range nuclear forces (INF) from Europe.

As talks resumed in Geneva between their arms negotiators Mr George Shultz, the US Secretary of State, brushed aside might result in a nuclear-free Europe with a preponderance of Soviet conventional power.

In Moscow, Mr Boris Pyadyshev, deputy Foreign Ministry spokesman, warned that the "understandable desire" of the US to consult its allies should not become "a barrier" to agreement.

In Geneva meanwhile, the chief US and Soviet negotiators on INF, Mr Maynard Glitman and Mr Alexei Obukhov, met for an hour and agreed there would be three meetings a week on the reduction of missile levels and its verification, with an additional meeting each week to draft the opening and closing paragraphs of the proposed treaty. Mr Obukhov said that at routine meetings he would be represented by his deputy, General Vladimir Medvedev.

Mr Shultz, answering questions from European correspondents on a US Information Agency "Worldnet" satellite link, said: "We shouldn't be afraid to take yes for an answer to our own proposal."

He was referring to the "zero option" on INF originally proposed by the West in 1981 and now being pushed by Mr Mikhail Gorbachev, the Soviet leader.

The US Secretary of State stressed repeatedly that "very potent nuclear armaments ... remain in Europe, committed to Europe, and are part of the flexible response policy of Nato," not affected by the current negotiations.

The US invited Soviet experts to visit its plant for destroying chemical weapons, and a bunker used for storing chemical weapons. Washington also agreed to discuss a proposal that each side should conduct nuclear tests at the other's test sites, Page 3.

"We have every intention of keeping that nuclear deterrence in place into the foreseeable future," he said. "You do have a nuclear capability that's quite awesome left, even after these (INF) are eliminated."

Mr Shultz added that the US was engaged in active consultations with its allies on whether to accept Mr Gorbachev's proposal to eliminate all "shorter-range" intermediate nuclear forces (with a range of between 500 km and 1000 km), or to make a counter proposal to equalise such forces at a level lower than the "seven or eight hundred warheads" deployed by the Soviet Union. (In a later answer he amended this figure to "six or seven hundred".)

But he implied strongly that his own preference was for the former, since at present "we have none." It would make no sense, he said, for Nato to decide to insist on retaining the theoretical right to deploy up to a certain level, unless it then proceeded to deploy that number in practice.

Mr Shultz made no mention of the 72 shorter-range Pershing 1 missiles deployed by West Germany, which have nuclear warheads controlled by the US.

West European foreign ministers are to consider their attitude next Tuesday at a specially convened meeting of the Western European Union in Luxembourg.

US economic growth during quarter at three-year peak

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE US economy grew at a real annual rate of 4.3 per cent in the first quarter of 1987, the strongest quarterly rate of expansion for three years, the US Commerce Department reported yesterday.

But most private economists believe that extraordinary short-term swings in economic activity during the sluggish fourth quarter of 1986 and the first quarter of 1987 account for much of the first quarter gain, and that the pace of expansion in the first quarter will not be sustained through the rest of the year.

However, the report did confirm that inflation in the US is picking up. "It is something we should keep an eye on but should not panic about," Mr Robert Ortner, the Commerce Department Undersecretary, said.

The broadly based GNP price index increased 3.6 per cent in the first quarter compared with 2.7 per cent in the fourth quarter of last year. Concern about a revival of inflationary pressures has contributed to wide swings and sharp falls in bond prices on Wall Street.

As many private economists had projected, a surge of stockbuilding by private industry in the first quarter coupled with the third consecutive quarterly improvement in the real trade deficit accounted for the bulk of the increase in first quarter GNP.

In the fourth quarter of last year, when real GNP increased by 1.1 per cent, business was liquidating stocks rapidly and the first quarter upswing in inventories is seen as a reaction to this rather than the beginning of a trend which will buoy up the economy through the remainder of the year.

Worrying to some private analysts, however, is the fact that personal consumption expenditures, which account for about two-thirds of economic activity fell for the second consecutive quarter, and that both non-residential as well as residential investment fell.

In the postwar period there have only been three occasions when consumption has declined consecutively in two quarters and each of those was during a recession.

The consensus amongst private economists, however, is that wide fluctuations in demand for cars accounts for the overall weakness of consumption. They point out that excluding cars, private consumption expanded steadily in both quarters.

The volatility in quarterly economic trends is expected to be evident in the second quarter, which it is expected will be hit by the end of the stockbuilding. The important motor industry is cutting production back sharply.

For the year as a whole real growth of between 2½ and 3 per cent is the consensus projection of private sector economists.

But many private economists would agree with Mr Jason Benderly of Goldman Sachs that the achievement of such a growth rate will depend heavily on a continued steady decline in the US trade deficit. "If we do not get the trade improvement we would really be at risk," he said.

Mr William Griggs of Griggs and Santow is one of those who, while expecting growth to continue, believes that there is a strong chance that this year growth will be lower and inflation higher than most private economists are projecting. As a result, the risks of a recession are increasing.

Background, Page 5; Money markets, Page 39

CONTENTS

NO HOLDS BARRED IN MALAYSIAN POWER STRUGGLE

Premier Dr Mahathir Mohamad faces his greatest challenge at today's elections of the ruling United Malays party. Page 26

Bofors provides Indians with arms deal report

BY SARA WEBB IN STOCKHOLM

THE MANAGEMENT of Bofors, the Swedish armaments company alleged to have bribed Indian officials to secure a SKr 8.4bn (£815m) arms order last year, have given the Indian ambassador in Stockholm a preliminary report on the company's activities.

The allegations, made by Swedish radio last week, have rocked Mr Rajiv Gandi's Government, and led the Indian authorities to call for a full investigation by the Swedish Government and Bofors, a subsidiary of Nobel Industries.

Mr Bhupatray Oza, the Indian ambassador here, said that Bofors had made "a preliminary report," which he had passed to his Government yesterday.

"We have yet to wait for a more detailed report, though," he said, adding that the Swedish Government had promised to provide information as soon as possible.

Swedish radio alleged that Bofors paid SKr 32m (£3.1m) into a Swiss bank account in order to secure its arms contract, one of the largest export orders ever won by a Swedish company. It implied that some of the payments had gone to Indian government officials and Congress Party funds, allegations which the Indian authorities have denied.

The radio has since told Mr Oza that it did not mean to involve the Indian Government, but that the payments went to Indian middle men and agents, violating a Swedish government agreement

Mr Oza said that it was Indian government policy not to use agents for defence contracts in an effort to clamp down on corruption. The order had been awarded to a Swedish company in the face of tough competition from French, Austrian and British companies on the understanding that these agents would not be used, he said.

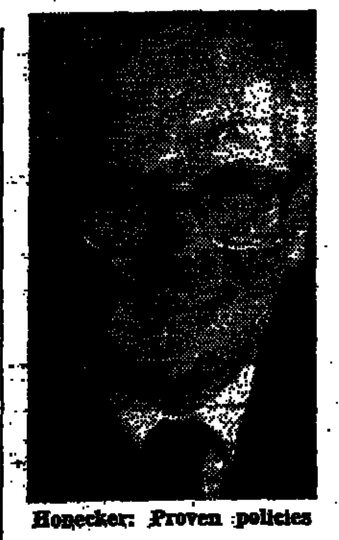
He would not comment on whether the Bofors report substantiated the claims, but said: "At this stage we can't say anything, we have to wait for further information.

"We are not going to rely entirely on Bofors's information, that is why we have asked the Swedish Government to help us. That's because we don't trust Bofors. The Swedish Government had assured us that Bofors would not use agents."

Bofors is also at the centre of an arms smuggling scandal, having admitted that its missiles were illegally sold to countries in the Middle East. The company has "categorically denied" the bribery allegations and says it has no further comment to make. But defence experts have expressed surprise that Sweden could have won the order without having to grease palms.

The Dutch government has charged an explosives company, Muiden Chemie, with breaking import and export laws after officials reported discovering that gunpowder destined for Yugoslavia had ended up in Iran, Reuter reports from Amsterdam. The Government, which has a 25 per cent indirect stake in the 284-year-old company, bans arms sales to countries at war.

Honecker declines to follow Gorbachev lead


Honecker: Proven policies

EAST GERMANY has rejected any need for Soviet style economic or political reforms and stressed that its domestic policies in the past were proven correct, writes Leslie Collitt.

The country's leader, Mr Erich Honecker, said yesterday that since 1971, when he came to power, the party had applied marxism-leninism "to fit the conditions of our country" and had made use of "valuable experiences" of other Communist countries.

He was speaking at the East German trade union congress, which was addressed for the first time by an official of the union federation in West Germany. However, his remarks that unions must be a driving force for "social reform" and must be independent of parties, Government and state were not reported in the condensed version of his speech in yesterday's main Communist newspaper, Neues Deutschland.

The country's chief ideological official, Mr Kurt Hager, said recently that the election of company managers as proposed by Mr Mikhail Gorbachev, the Soviet leader, would not be emulated in East Germany. In an interview with a West German magazine he remarked: "If your neighbour put up new wallpaper in his flat, would you feel obliged to repaper yours?"

The conservative East German and Czechoslovak parties are both suspicious of Mr Gorbachev's reform measures, but the Prague leadership has of late gone through the motions of endorsing them.

The East German union leader, Mr Harry Tisch, who is also a member of the ruling politburo, announced at the congress that there would be a gradual transition from the present 43¾-hour working week to 40 hours for the nearly 9,000,000 union members. At present, a fifth of them — women with two children and workers doing three shifts — have a 40-hour week.

Mr Tisch said his union federation showed its strength by "putting in order what is not yet in order." From the age of 55 for working women and 60 for men, another week of paid holiday would be granted in addition to the basic 18 days.

Czech 'reforms' strike familiar chord

Leslie Colitt encounters in Prague a certain sense of deja vu about the proposed changes in the way the country's economy is run

KNOWING Mr Mikhail Gorbachev personally is not a bad recommendation for a Czechoslovak these days, especially one who advocates wide-ranging economic reforms.

Mr Valtr Komarek, an outspoken economist, knows Mr Gorbachev from the time when both were students in Moscow in the early 1950s. Mr Komarek was studying economics and frequently met Mr Gorbachev, then a law student, during activities of the Soviet youth organisation, Komsomol.

Today, Mr Gorbachev is spearheading the most ambitious Soviet reform programme since Lenin's New Economic Policy in 1921. Mr Komarek, more modestly, heads the Institute of Economic Forecasting in Prague. While providing the Government with reliable economic analyses, it has long been a convenient refuge for reform-minded spirits.

His time may have come—once again—however, as the conservative Czechoslovak leadership grapples with economic reforms. Having presided over a protracted decline of Czechoslovak industry, the centrally planned economic system has reached the end of its rope.

Mr Komarek's experience of economic reform dates back to the late Soviet leader Mr Nikita Khrushchev who wanted to break the monopoly of central planning. As a young official of the State Planning Commission in Prague in the early 1960s, Mr Komarek worked closely with Soviet officalls of the new State Economic Council, Goseconsoviet. It was created expressly to replace the party's control of the economy with that of the Government.

Reformist tendencies in Czechoslovakia survived even Mr Kruschev's downfall. By 1966, a partial reform of industrial management was introduced, but this proved unable to prevent a serious economic reversal. During the reformist "Prague Spring" of 1968, a Government Economic Council was set up in Prague which, as Mr Kruschev envisioned, was designed to break the back of central planning.

The chairman of the Council was Mr Lubomir Strougal, then deputy Prime Minister, who is now once again in charge of an economic reform as the country's Prime Minister. The deputy chairman in 1968 was Professor Ota Sik, father of Czechoslovak economic reform, who maintained that a "socialist market" with planning was as feasible as a capitalist market without. Mr Komarek was the general secretary of the Economic Council.

Events have come full circle. The language used by those restructuring the economy in Moscow and Prague is remarkably similar to that of Prof Sik. According to the "principles of economic restructuring" issued earlier this year in Prague, companies are to have greater independence and are no longer to be burdened with a mass of obligatory planning targets imposed from above. At the same time, managers are to be given a greater say in determining investments, wages and the size of their workforces.

Mr Jaromir Matejka, a deputy Prime Minister and secretary of the new government committee for planned economic management, noted recently that much greater use would be made of prices, exchange rates, credits and interest rates. Asked whether the same officials who had opposed economic reforms since 1968 would now be able to carry them out, his reply was a laconic "Yes."

Many Czechoslovak economists, however, are less confident about the outlook for the reforms in Prague. Prestavba — the Czech version of the Soviet Union's perestroika (reconstruction) — was drawn up by bureaucrats, albeit skilled ones, they note. They refer to them as the "clerks" of the reform and point out that their thinking is dominated by the "techniques" of management, with emphasis on altering economic indicators and tools.

These officials are now busy drafting a document, to be issued later this year, on implementing the principles. The bureaucrats of economic reform, however, are opposed by many senior party officials and by the economic ministries, as well as by company managers. The latter opposition appears odd, but the obedient and complacent managers who were installed after 1968 prefer a political approach to an economic one.

As in the Soviet Union, the procrastinators regard even the present limited reform as a virtual dismantling of socialism and are still convinced of the superiority of central planning. Mr Komarek calls them the "silent group." They are at work whenever the authorities adopt a reform and are able to break it with their immense influence.

From the vantage point of his institute in a once sumptuous Prague residence, Mr Komarek argues that for economic reforms in Czechoslovakia or the Soviet Union to be successful they must create a "full-blooded buyer's market." And end domination by monopoly sellers.

"Rather more" exports would go to the West (80 per cent are currently taken by Comecon) in order to finance urgently needed imports of machinery and equipment. But, being a prudent Czechoslovak, Mr Komarek says there would be little sense in boosting Czechoslovakia's low level of borrowing in the West until the economy is sufficiently restructured.

An essential ingredient in any true reform, he insists, must be a "confrontation of interests" which would be resolved democratically. The leadership in Prague, however, deeply suspects conflicting views. It pacified the population after 1968 with higher wages and greater social benefits without worrying about economic performance and efficiency until now.

W Germans buy fewer foreign cars

FOREIGN manufacturers' share ofthe West German car market fell to 31.4 per cent in the first three months of this year from 33.1 per cent during January/March 1986, the Federal Motor Office said. Reuter reports from Flensburg.

Sales of 94,334 by foreign producers in March compared with 89,283 a year earlier, with sales in the first quarter falling to 197,702 from 221,388 in the year-earlier period.

Japan was the largest exporter to West Germany, although it share fell to 13.7 per cent from 14.3 per cent, France took 7.8 per cent after 8.1 per cent, while Italy's share was virtually unchanged at 5.8 per cent against 5.7 per cent.

Yugoslav defiance

Some 1,700 striking miners in the northwestern Yugoslav town of Labin defied a management ultimatum to return to work today, Reuter reports.

Stiff drink penalties

France, which has the highest alcohol consumption and the worst road death rate in Europe, is preparing to introduce stiffer penalties for drunken driving, Reuter reports from Paris. Parliament is debating a bill which would double fines and raise prison terms up to two years.

Linnas review

A court will review the case of Nazi war criminal Karl Linnas, deported to the Soviet Union from the US this week, a Soviet Foreign Ministry spokesman said today, Reuter reports from Moscow.

European unions fear GM wants Saturday working

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

TRADE UNIONS at General Motors' European factories fear the US group is making a concerted effort to re-introduce mandatory Saturday working as part of its drive towards cutting its losses in Europe.

Employees are being tempted to give up their free Saturdays in exchange for a shorter working week, according to the International Metalworkers Federation (IMF) in Geneva.

But if they give way the impact on GM's productivity would be so great that within five years it could cut 20,000 from its 100,000 European workforce, claims the IMF general secretary, Mr Herman Rebhan, himself a former GM employee.

GM says it has no Europe-wide plan for Saturday working. However, the management team at its new European organisation set up last summer in Zurich, has urged all the operating companies to do everything possible to improve their performances.

Last year, GM's European arm suffered a net loss of $343m, a slight improvement on the $371m for 1985. But nearly all the 1986 loss was accounted for by rationalisation costs and exceptional debt write-offs and a net profit is forecast for this year.

All concerned in the Saturday working debate agree that it was sparked off by proposals put to the unions by GM's Belgian subsidiary which wants to consolidate the operations of two Antwerp factories into one by the autumn of 1988 in time for the production of the replacement for the Cavalier.

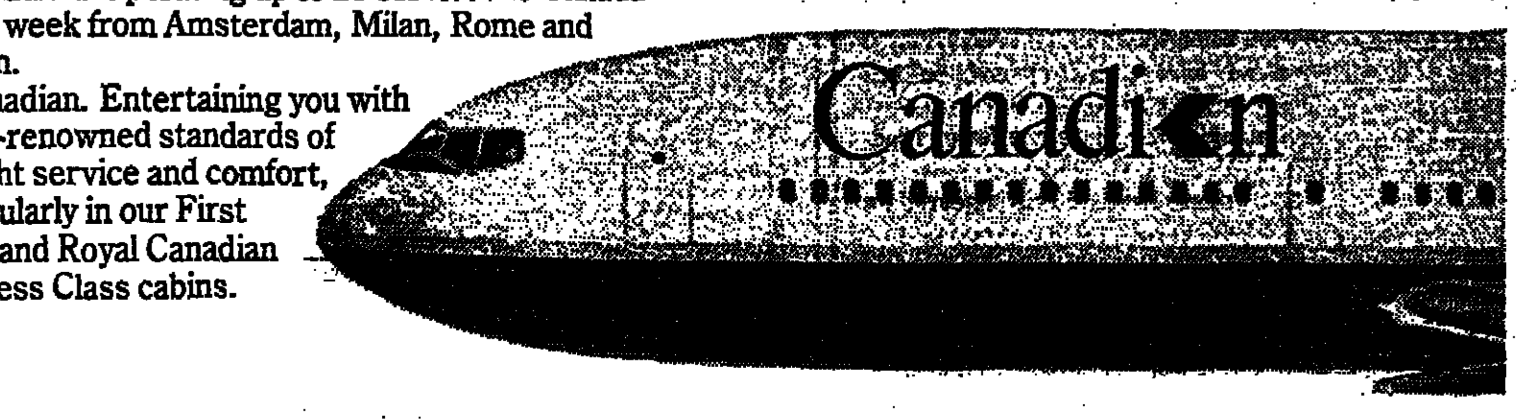
The GM proposals call for investment of BFr 1bn (£16m) but would require two four-day, nine-hour shifts from Monday to Saturday inclusive.

The proposals—still to be considered by the unions in Belgium — particularly concerned the unions in GM's Opel subsidiary in West Germany in view of pressure for Saturday working in that country and other parts of Europe, including Spain and the UK.

The West German metalworkers' union, IG Metal, waged an emotional and successful campaign during the 1950s to end Saturday working. This featured prominently a small boy saying: "On Saturday my daddy belongs to me."

Mr Rebhan of the IMF says that GM's attempts to get the most out of expensive capital equipment could be seen as a move towards "men working to suit the machines rather than the machines helping man."

GM's car subsidiary in the UK, Vauxhall, has been working Saturday shifts at its Luton factory for some time. But Vauxhall insists this is merely to keep pace with domestic demand for the Cavalier, produced at Luton, and it has no present intention of moving to mandatory Saturday working.



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Brussels assaults public contract barriers

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission is working on plans for the wholesale scrapping of barriers to open tendering throughout the EEC for public contracts in telecommunications, water, energy and transport.

Lord Cockfield, the Commissioner responsible for the internal market, has asked his experts to produce proposals before the end of the year to provide for free bidding from companies in all member states for public contracts in those four areas.

They are believed to represent the bulk of the Ecu 400bn (£282m) worth of non-military public contracts let in the EEC every year. But member states have never been able to agree to include them in existing public purchasing regulations, partly because of differences in the levels of public ownership in the different sectors.

The result has been to leave open an easy loophole for member states which wish to avoid present EEC rules to encourage trans-border bidding, by declaring that any public contract is covered by one of the so-called "excluded" areas.

Earlier Commission attempts to extend open public purchasing to the areas now being considered have foundered because member states with highly subsidised public sectors have been unwilling to expose themselves to competition from more efficient counterparts. West Germany, for instance, has been anxious not to expose its public railway companies to competition from their export-oriented French equivalents.

But Commission officials hope to overcome this problem by liberalising purchasing in all four sectors simultaneously, so that individual member states can make up for an invasion of competition in sectors where they are weak by bidding more freely across their borders in sectors where they are strong.

The proposal, which will take the form of one or a series of draft directives, will mark the Commission's fourth major attempt in the past year to bring freer competition to public purchasing.

Previous public purchasing moves have already run into fierce questioning from the Commission department in charge of regional policy, which argues that public authorities in poor areas should be allowed to go on discriminating in favour of national companies to help support local economies.

HIGH-POWERED STUDY GROUP POINTS THE WAY AHEAD

EEC must grow faster, warn economists

BY QUENTIN PEEL IN BRUSSELS

COMPLETING the common market on its own is not enough.

Even with the underpinning of stable exchange rates through the operation of the European Monetary System (EMS), more must be done by the institutions of the EEC to ensure faster economic growth, and a better distribution of benefits through all the member states of the Community.

The ambition of removing all barriers to internal trade, including free capital movements, by 1992, means giving more powers to Brussels, combined with more flexibility in carrying them out.

Those are the broad conclusions of an important economic study on the development of the EEC published yesterday.

It calls for:

- Reinforcement of the EMS with much closer co-ordination of monetary policy in individual member states;
- Tougher enforcement of competition policy — with prior notification of major mergers—but less interference in small-scale affairs;
- Increasing use of mutual recognition (of differing national standards) instead of absolute harmonisation to open up internal trade;
- Provision for more flexibility of indirect taxation, while still removing "fiscal frontiers" between member states;
- A common corporate tax system, based on cash-flow instead of income, to encourage the development of European-scale companies;
- Greater equity through the Community budget, by introducing a safeguard mechanism to ease excess budget contributions;
- More financial support for the poorest regions, including cash for general education as well as industrial training—but tied to stricter supervision of economic policies.

The report* of a high-powered study group of leading European economists chaired by Mr Tommaso Padoa-Schioppa, deputy director-general of the Bank of Italy, was commissioned by Mr Jacques Delors, the president of the European Commission.

It is intended to provide an important contribution to the current debate on the reform and future financing of the Community, and the development of a coherent framework for macro-economic and monetary policy co-ordination between the member states.

The report is an attempt by economists from outside the main Community institutions to analyse the consequences of the two major decisions of the past two years — the big push to complete the common market by 1992, and the accession of Spain and Portugal to full membership since January 1 1986.

They conclude that while the emphasis hitherto has been on the efficient allocation of resources — through removing barriers to trade and enforcing fair competition — and on stability, through the EMS, more now needs to be done on the redistribution of benefits, and the promotion of faster economic growth.

A major section is devoted to the reinforcement of the monetary system itself, on the grounds that the commitment to free movement of capital by 1992, combined with stable exchange rates, makes much closer co-ordination of monetary policy inevitable.

"Capital market liberalisation will fundamentally change the environment for monetary policy in a fixed (or nearly fixed) exchange rate system such as the EMS," they say. "Domestic monetary policies have to be much more nearly unified."

They call for a "Stage Two" of the EMS, involving four main developments:

- national monetary policy targets to be agreed jointly, through the EEC Monetary Committee;
- co-ordinated intervention through the European central banks to defend against speculative capital movements—not necessarily requiring larger financing, but possibly sharing the interest-rate burden of providing credit to the country under pressure;
- stricter joint decisions on allowing "safeguard clauses" for member states imposing capital controls to remergency balance of payments crises;
- a common European monetary position for international negotiations with the US and Japan.

The authors warn that free capital movements, as part of the completed common market, will be one aspect of liberalisation likely to hit backward regions badly. The liberlisation of financial services also seems likely to result in greater concentration in centres like the City of London.

On the other hand, other aspects of opening up trade and competition—such as in transport and telecommunications services—should actually help the peripheral areas, they say.

They argue for tougher "conditionality" on heavy use of the EEC social and regional funds, on a par with the economic conditions laid down for balance of payments' loans from the Community institutions.

More flexibility in the imposition of EEC regulations is also required, they say—pointing to a rapid increase in the number of court cases against individual member states—to accommodate the much greater range of economic conditions in 12 countries than in the original Six.

Although competition policy should be more strictly enforced at Community level, thresholds below which regional aids and state subsidies are allowed should be raised to exclude more marginal cases. Only where subsidies affect cross-border trade should they be challenged, they believe.

The proposal for a single corporate tax system is put forward as part of a package to encourage genuinely cross-border European companies, instead of nationally-based multi-nationals. Professor Mervyn King, of the London School of Economics, argues in a special appendix that such a tax—based on cash flow instead of income estimates—would harmonise investment incentives on a common basis, and thus achieve fiscal neutrality.

Efficiency, Stability and Equity: report of a study group appointed by the European Commission, chaired by T. Padoa-Schioppa.

Mr Tommaso Padoa-Schioppa, deputy director-general of the Bank of Italy and chairman of the study group, is no stranger to the internal workings of the European Community as former director-general for economic and financial affairs in the European Commission. He was closely involved in the original establishment of the EMS, a passion which shows up in the report.

The rapporteur, Mr Michael Emerson, is also an "insider" as the principal macro-economist in the Commission headquarters, and a major contributor to the Annual Economic Report.

The authors insist, none the less, that they have been given a free hand to criticise and propose solutions at will—and have steered clear of the classic negotiated texts which mar most EEC publications.

Professor Mervyn King, of the London School of Economics, was responsible for the detailed recommendations on a corporate tax system, while the others came from a range of non-EEC institutions, but not from all the member states.

Prof Jean-H.P. Paelinck comes from the Netherlands Economic Institute, Prof Lucas Papademos is economic adviser to the Bank of Greece, Prof Alfredo Pastor is president of the Empresa Nacional Hidro-electrica in Barcelona, and Prof Fritz Scharpf is director of the Max Plank Institute in Cologne.

Romania aims to repay debt early

By Patrick Blum in Bucharest

ROMANIA INTENDS to repay more than $2bn of its foreign debt this year including up to $1bn in early repayments, according to Bucharest officals.

The aim is to "liquidate as soon as possible" Romania's net external debt, estimated at $5.8bn at the end of 1986. Western observers here say some $380m have already been paid in advance during the first quarter of this year.

Mr Nicolae Ceausescu, the Romanian leader, told a Communist party executive committee meeting of the early repayment plan earlier this year. These amounts will be in addition to standard repayments of $1bn-$1.5bn due this year.

The move is surprising coming only so soon after last autumn's agreement between Romania and creditor banks on rescheduling part of repayments due last year and this. Officials here say the amount rescheduled was "not important" and that the objective had been to try to take advantage of falling oil prices.

The Romanian authorities are determined to try to repay all the country's debts before 1990. To that effect they have embarked on a strategy sharply curtailing imports, introducing drastic energy saving measures and imposing a tough austerity policy which has depressed living standards.

A large proportion of Romania's hard currency trade surplus—which officials here say reached $2bn last year—is earmarked for debt repayment.

However, exports fell by 11 per cent last year and the country faces increasingly competition

US opens chemical weapons units to Soviet experts

BY WILLIAM DULLFORCE IN GENEVA

THE US yesterday invited Soviet experts to visit its plant for destroying chemical weapons and to inspect a bunker used for storing chemical weapons. It also agreed to discuss a proposal that each side should carry out nuclear tests at the other's test sites.

These moves, announced at the UN conference on disarmament by Mr Lynn Hansen, assistant director of the US arms control agency, are seen by Washington as opportunities for persuading Moscow that US insistence on provisions for "on-site" inspection and measurement in arms control treaties is justified.

Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, agreed during their talks in Moscow last week to have experts visit each other's sites for destroying chemical weapons, Mr Hansen revealed.

Their understanding followed Mr Mikhail Gorbachev's announcement in Prague on April 10 that the Soviet Union had stopped making chemical weapons and was building a destruction facility.

Mr Yuri Nazarkin, the head of the Soviet delegation to the UN conference, said Moscow would carefully consider Mr Hansen's proposal that the Soviet experts should visit the US plant at Tooele, Utah, during the week beginning October 19.

Soviet officials have urged that an international convention banning chemical weapons be completed this year. One obstacle is the US standpoint that only "on-site, in-site" inspection on challenge of suspected chemical weapons plants can ensure that states do not cheat.

Mr Hansen noted that Moscow had now accepted that inspectors could be despatched to a suspected site immediately after a challenge but was still opposing the inspectors' right to enter the plant.

A suggestion by Mr Nazarkin that plants could be monitored by sampling air and effluents on their perimeters was inadequate, Mr Hansen said. The Soviet experts would discover by visiting a US storage bunker that these "external configurations" did not exist.

Moscow's motive in pressing for a convention this year was to prevent the US, which stopped making chemical weapons in 1969, from resuming production of modern, binary weapons in the autumn, Mr Hansen said. The US was committed to reaching an agreement ridding humanity of the chemical weapon scourge, but it had to include an effective verification regime.

The idea that the US and Soviet Union should conduct nuclear tests at each other's sites would be raised when bilateral talks on nuclear testing resume in Geneva next month, Mr Hansen said.

In contrast to the Soviet Union which advocates seismic verification of compliance with a test ban, the US believes the most effective means is on-site measurement by the so-called Corrtex method.

A nuclear test exchange could prove the US argument that geological formations transmit seismic waves differently and that siesmology did not offer sufficient verification, Mr Hansen said.

Spanish sue Commission over raids

By Our Brussels Staff

THREE LARGE Spanish chemicals producers have launched legal proceedings against the European Commission alleging intimidation and violation of privacy.

They have lodged separate cases at the European Court of Justice claiming that the Commission overstepped its powers when it raided their factories in January during a search for evidence of possible illicit price fixing in polythylene and PVC.

This amounts to a fresh legal challenge to the Commission's right to conduct anti-cartel inquiries, following the controversial move by Hoechst, one of the eight chemical groups involved in the investigation, to admit the Commission's inspectors to its Frankfurt plant.

The Spanish companies — Dow Chemical Iberica, Empresa Nacional del Petroleo, and Alcudia—claim the Commission broke national privacy laws.

Turkey recalls US envoy as new crisis threatens

BY DAVID BARCHARD IN ANKARA

TURKEY yesterday summoned home its ambassador to the US, Mr Sukru Elekdag, among signs that Turkish-American relations may be moving towards a new crisis.

Turkey claims it has suspended indefinitely the terms of a new supplementary letter to its Defence and Economic Co-operation agreement with the US, signed in Washington on March 16.

Until now, the US Government has shown little concern over recent Turkish protests, all of which are directed at actions by Congress which the US Administration says it does not support.

These include the pruning of US aid to Turkey from an expected $930m (£581m) this year to $569m; the linking of US aid to Turkey to progress towards a settlement in Cyprus; and a resolution before Congress about the alleged genocide of Armenians in the Ottoman Empire during World War I—a highly inflamatory subject in Turkey.

Pressure is growing from the Turkish parliament and media on President Kenan Evren to cancel a visit to the US on May 26.

Turkey is generally regarded as a key Nato ally of the US, both because of its strategic position between the Soviet Union and the Middle East, and because of the large number of US military and intelligence-gathering installations on its soil.

It feels that its contribution to the alliance is insufficiently regarded by the US. However, Western diplomats here point out that there appears to be little chance of Turkey emerging victorious from a head-on clash with the US Congress at a time when President Reagan's Administration is at a low ebb.

Robert Thomson in Peking reports on a campaign against 'bourgeois liberalism' which challenges artistic freedom

The arts in China turn into a political battlefield

SEVERAL poets have been told that their work will no longer be published. State-run artists' organisations have had sudden changes of leadership. Writers are writing self-criticisms and the Culture Minister, Wang Meng, has been under repeated attack in political backroom brawling.

The arts have again become a political battleground in China, and, as always, artists and artistic confidence are the victims. The many changes in recent weeks are all part of a Communist Party campaign to drag artists away from ideas about "art for art's sake" and to force them to produce works that "serve socialism".

While the call last year was to "let 100 flowers blossom," the National People's Congress, China's parliament, and the Chinese People's Political Consultative Committee, a senior advisory body, have shown in past days that unless the flowers blossom in the correct ideological shade this year, they will be plucked.

A few of the more obedient artists have already begun to "serve socialism." A playwright, Shu Qiang, said recently that many of his cultural comrades have "failed to serve the people" and "divorced art and literary work from politics". "All this," he said, "must be changed."

The campaign against "bourgeois liberalism" – which seems to mean Western influence – in the arts has continued to gather momentum, despite warnings by the Premier and acting party chief, Zhao Ziyang, whose inability to halt the drive raises doubts about his control over the party.

In fact, the campaign now verges on the ridiculous, with daily statements by select artists on the need to "struggle against bourgeois liberalism". This reflects the new found influence of the former propaganda chief and arch-conservative, Deng Liqun, who engineered a drive against "spiritual pollution" several years ago. Mr Deng has repeatedly criticised the dumped party General-Secretary, Hu Yaobang, at recent party meetings for his ideological laxity and desperately wants to be Mr Hu's successor.

Deng Liqun's prudishness and nationalism can be seen in the broadening of the party drive against "unhealthy tendencies". A member of Peking's oriental song and dance ensemble this week condemned "some dancers who wear costumes too sheer when performing traditional Chinese dances. This is a result of the influence of foreign dance."

All of this must be most depressing for the Culture Minister, who is a writer himself and a favourite target of Deng Liqun. He published several speeches late last year, which, by today's definitions, are "bourgeois liberalism" in action. It is understood that he has serious considered resigning from a post that he took reluctantly last June.

Until late last year, Mr Wang was enthusiastic about the revival of the "100 flowers movement". He was confident that China had a "new atmosphere of understanding", and that senior cultural officials should not "rush to put political labels on works", which is exactly what the likes of Deng Liqun are doing.

Thirty-nine literature and art journals were closed in Guangxi province after a regional Communist Party meeting decided that all publishers should apply for new licences. While none of the magazines has attracted leading writers and some show very poor taste, the closures are obviously a major setback for literary confidence and freedom.

Artists have decided that now is not the time to experiment. One ambitious young painter had planned a performance art festival at a destroyed imperial palace in the Chinese capital. There was to have been new music, and ordinary workers were to have been given the chance to prove their worth as naive artists. Sadly, it is now a case of what might have been.

Changes in key propaganda posts in the past two months have meant that the "serve socialism" cause has been supported by a more conservative Chinese press. The "Guangming Daily", meant to be the most enlightened of the mass circulation papers, talks of the "high tide of bourgeois liberalism that poisoned public appreciation of art and literature".

The paper lauded "triumphant return at midnight", a bland 11-episode television series about the Sino-Vietnam border war. The "lofty revolutionary heroism, selfless devotion and patriotism" shown in the series have previously been "ridiculed as deep-rooted bad habits, feudalistic concepts, slavishness and degeneration," said a Guangming Daily, echoing the sentiments of Deng Liqun.

Many elderly and orthodox Marxist officials in the Chinese leadership, including Deng Xiaoping, tend to not appreciate the finer points of art that does not have a clear, pro-socialist message, and are particularly critical of films or literature that portrays the military ambiguously.

"Yellow Earth", one of the most impressive modern Chinese films, has had limited exposure in China because it suggests that a disillusioned youth committed suicide instead of doing the right thing by the revolution and joining the People's Liberation Army.

The present propaganda drive has crippled the confidence of Chinese artists, who last year were prepared to speak their mind on canvas or in the written word.

They now fear that their past works will be held against them, as happened in the case of two writers, Liu Binyan and Wang Ruowang, who have been expelled from the party and pilloried in the press.

It has been reported that when told of his expulsion, Wang Ruowang simply said: "Please tell comrade (Deng) Xiaoping that he is increasingly like the last years of Chairman Mao. I am very disappointed in him."

Assad aims to strengthen alliance with Moscow

By David Buchan in Moscow and Andrew Gowers in London

PRESIDENT Hafez al-Assad of Syria yesterday started his first official visit to the Soviet Union for nearly two years against a background of tension between the two allies over Palestinian affairs aid renewed Soviet activities in the Middle East.

Mr Assad, Moscow's principal ally in the region, was greeted in the Kremlin by Mr Mikhail Gorbachev, the Soviet leader.

The Syrian leader, who last visited Moscow in June 1985, will also meet Marshal Sergei Sokolov, Defence Minister—an indication that arms sales will be on the agenda. Moscow has supplied large quantities of weapons to Syria in recent years, although Syria's current economic crisis may have caused payment problems.

The visit coincides with a meeting in Algiers of the Palestine National Council, the Palestinian's parliament-in-exile, which appears to have delivered a blow to Syrian influence over the Palestine Liberation Organisation and vindicated Soviet efforts to bring together the PLO's warring factions.

Strains have been evident for some time between Damascus and Moscow over Palestinian affairs. Mr Assad, through radical PLO factions based in the Syrian capital, has sought to undermine the position of Mr Yassir Arafat, the organisation's chairman, while the Soviet Union has thrown its weight behind attempts to heal the four-year-old rift within the PLO.

Diplomatic observers believe tensions were exacerbated in the last few months by the vicious "camps war," in which Syrian proxies beseiged Palestinian refugees in the Lebanon.

Soviet leaders, meanwhile, are likely to use Mr Assad's visit to explore prospects for an international peace conference on the Middle East. The Kremlin, which expects to be involved as one of the five permanent members of the United Nations Security Council, has been adopting a higher profile in sponsoring such a gathering, which is also advocated by the EEC, Jordan and Egypt.

The Soviets have also been pursuing contacts with Israel, causing speculation that the two countries might be about to resume diplomatic relations after a 20-year breach. However, a Foreign Ministry spokesman in Moscow sought to play down these contacts yesterday, saying that they did not "testify to any warming of relations."

Israel eases exchange curbs

By Our Jerusalem Correspondent

THE Israeli Treasury and central bank have announced a series of changes designed to simplify and liberalise foreign currency regulations, which took effect yesterday.

The foreign currency allowance for each Israeli travelling abroad was raised from $800 to $8,000 (£3,680). In addition, individuals will be able to hold more dollars in cash and send more foreign currency overseas.

Israeli companies will be able to purchase options abroad to hedge against foreign trade risks.

Tight foreign currency restrictions have been in effect in Israel since 1983, when foreign reserves began reaching dangerously low levels. Today, however, the country's reserves stand at a record $4.3bn.

The central bank said that another reason for relaxing restrictions was that public inflationary expectations had lessened, thanks to the economic stability achieved over the past few years.

UK rebuked on Pacific N-treaty

By Chris Sherwell in Canberra

AUSTRALIA HAS again voiced disappointment at Britain's refusal to sign the South Pacific Nuclear Free Zone Treaty, saying the decision, made along with the US and France, had had a damaging impact.

The concern was expressed by Mr Bill Hayden, the Australian Foreign Minister, at a meeting with Sir Geoffrey Howe, the visiting British Foreign Secretary, and was echoed during Sir Geoffrey's longer-than-expected talks with Mr Bob Hawke, the Prime Minister.

The issue appeared to provide the main note of discord on the first day of Sir Geoffrey's discussions, which aim to re-affirm the strong ties between the two countries.

Accounts of the talks suggested they were otherwise going well, with Australia anxious to hear British views on East-West relations and arms control following Mrs Margaret Thatcher's visit to Moscow, and Britain listening sympathetically to Australian concerns on agricultural subsidies and South Pacific security.

Australia places much weight on the South Pacific treaty, which forbids the use, storage, testing and dumping of nuclear weapons in the region and has been signed by most South Pacific countries. Moscow and Peking have signed its protocols.

Britain says it will abide by the provisions but is concerned about the precedent involved in signing and says perceptions of a nuclear free zone are different in Europe.

Mr Hawke and Mr Hayden have also complained at the US stand.

Damages claim by Greenpeace

By Dai Hayward in Wellington

GREENPEACE is claiming NZ$35m (£12.5m) from the French government in damages for the bombing and sinking of the Greenpeace vessel, Rainbow Warrior, in the New Zealand capital of Auckland in 1985.

Most of the damage is in respect of damage to the vessel but NZ$12m is for aggravated and exemplary damages.

Mr Ted Thomas, QC, said the exemplary damages claim was a recognition that the bombing caused damage to Greenpeace which could not be measured in financial terms.

Mr Thomas will join a team of 10, including two London QCs, in arguing the case before a three-person international arbitration tribunal in Geneva.

Last year the governments of New Zealand and France agreed on the payment by France of NZ$13m to New Zealand.

Nakasone withdraws sales tax in budget compromise

BY IAN RODGER IN TOKYO

THE Japanese budget for 1987-88 was last night approved by the parliament's lower house after a last-minute compromise which involved withdrawal by the government of a controversial sales tax.

The climbdown is a blow to the prestige of Mr Yasuhiro Nakasone, the Prime Minister, coming at a time when Japan must conduct difficult negotiations with the US and other foreign governments and within months of the scheduled end of extended term in office.

Mr Nakasone apparently agreed to withdraw the important tax reform because he wants to introduce a series of measures to stimulate the economy prior to his official visit to Washington next week. The budget had to be passed before the measures could be drawn up.

Mr Nakasone was letting it be known earlier this week that he was determined to press on with the sales tax plan, even if it meant continuing with all-night sittings until the budget vote could be taken. However, other ruling Liberal Diplomatic Party leaders apparently convinced him that he had to back down.

Under the agreement the speaker of the House of Representatives will form a committee from the two sides to attempt to reach an agreement on tax reform. If agreement cannot be reached, the sales tax proposal will be eliminated.

The US and other foreign governments have been putting intense pressure on the Japanese authorities to stimulate domestic demand in the hope that it will encourage imports and reduce the country's huge trade surpluses.

Japan's opposition parties had been using delaying tactics in the Diet (parliament) this week to prevent the budget bill from coming to a vote. They said they would not abandon the delaying tactics until the government withdrew its unpopular sales tax bill.

It was not immediately clear last night which side emerged the stronger from this week's clash of wills. The opposition parties claimed total victory but officials of the LDP pointed out that under the compromise agreement between the sides, the need for tax reform was accepted and the imbalance between direct and indirect taxes in Japan was acknowledged.

The sales tax legislation had been a key component of the Government's overall strategy to bring its economy into better harmony with that of other leading countries. Japan's tax revenue is relatively low by international standards, leaving the Government chronically short of resources.

Also, the system is heavily weighted to income and other direct taxes, which tend to be inflexible, and so reduce the Government's scope for economic management. Taxes on some products, such as whisky discriminate against foreign goods, but the Government cannot afford to remove them until new taxes are introduced.

The proposal for a 5 per cent sales tax on most goods and services had been widely and strongly attacked by many groups, especially retailers. The opposition parties, and some LDP politicians, identified themselves with the public outcry, with considerable success. The LDP fared badly in the recent local elections, largely because of the sales tax issue.

Blow to India's Tamil initiative

BY JOHN ELLIOTT IN NEW DELHI

ATTEMPTS made this week by the Indian government to find a basis for restarting talks between the Sri Lankan government and leaders of Tamil extremists have been upset by the bomb blast in Colombo on Tuesday and by the subsequent military attacks on Tamil areas of the island.

Three representatives of Tamil extremist groups based in the southern Indian city of Madras have been in New Delhi for the past two days for secret meetings with Mr P. Chidambaram, an Indian Minister who has been handling the crisis for Mr Rajiv Gandhi, the Prime Minister.

They include Mr A. Balasingham, spokesman and leading official of the Liberation Tigers of Tamil Eelam, the main extremist group, which has denied responsibility for the recent violence.

The aim has been to try to find a basis for restarting talks which took place last November at the South Asian summit in the southern Indian city of Bangalore concerning the geographical designation of Tamil homelands in the north and east of Sri Lanka.

However the events of the past few days have clouded the chances of progress.

India is adopting an even-handed approach to the violence, condemning both extremists and the Sri Lankan government. Yesterday in the Indian parliament in New Delhi, Mr Narayan Datt Tiwari, Minister for External Affairs, said that "any victory achieved through violence would be short-lived and illusory." He appealed to both sides to "eschew violence" and co-operate in finding a political and peaceful solution.

Earlier this year India made it clear to Sri Lanka that it was not prepared to continue with its mediatory efforts while Sri Lankan troops raided Tamil areas of the island.

The extremists' violence of the past few days has undermined that Indian position, even though the main Tigers' group has disclaimed responsibility.

There is no sign yet of the Indian government being prepared to clamp down on offices and camps of the extremist groups in the southern state of Tamil Nadu.

The recent regional election defeat of Mr Gandhi's Congress I party in the adjacent state of Kerala has weakened his position in Southern India.

SRI LANKAN Air Forces jets yesterday carried out air strikes for the second day against what a senior minister called "terrorist bases" in the northern peninsula, killing at least 20 rebels, writes Mervyn de Silva in Colombo.

On Wednesday, 80 people were killed in an attack on five camps of the LTTE (the Tamil Tigers) and another militant group, Eros. The government has accused the groups of the bomb explosion at a bus station in Colombo on Tuesday. Police yesterday lowered their estimate of the number killed in that blast from 150 to 106, with 280 wounded.

Tamil sources in Colombo said the civilian casualties in the first air raid were much higher than the figure of 12 given by the government. Hundreds of Tamil families, the sources said, were fleeing their homes and reports reaching Colombo suggested a climate of fear and panic.

● The New Zealand cricket tour of Sri Lanka has been cancelled because of the violence. The team hotel was less than a mile from the Colombo bus station blast. The team had played only one match of its tour.

Anthony Robinson examines the bitter strike by 18,000 South African transport staff

Afrikaner patronage faces a challenge

AS THE working day ends, at 4 pm on the dot, office workers at the S. A. Transport Services (Sats) headquarters next to Johannesburg's main railway station, poured out of the lifts, homeward bound. They were mainly white, and mostly Afrikaners.

Two security guards, with handcuffs dangling from rear pockets and service revolvers, manned the reception desk. Another large man, with a revolver tucked casually into his belt, sauntered in and made use of the reception telephone. The scene provided an insight into the ethos of one of South Africa's largest employers, which for decades has provided sheltered employment to thousands of formerly underprivileged and poorly-educated blue-collar Afrikaners.

It is both a form of social security for needy whites and a source of government patronage: with an election in the offing, the ruling National Party is bound to resist any threat to such a convenient system.

The challenge has come, however, from 18,000 of the state-owned corporation's 100,000 black workers, employed mainly in the lower pay and skill grades. They have been responding to what they see as Sats' authoritarian and racist management style with an increasingly bitter and bloody strike.

It began over a relatively trivial issue. A black delivery driver was fined Rs 80 (£25) for not paying in cash received immediately. Hundreds of black workers at the City Deep container terminal, where he worked, walked out in protest, demanding his immediate, unconditional reinstatement.

From the City Deep the dispute spread to 50 other work places as black packers, ticket collectors, truck drivers and others walked off the job.

"It spread so fast because all of us over the years have had to pay similar fines and been victimised and ordered about by whites whose only qualification is the colour of their skin. We are tired of being treated like Kaffirs and are fighting for our dignity. It is as simple as that," a striking City Deep truck driver, who preferred to remain anonymous, explained.

A key part of that fight is for recognition of their union, the SA Railways and Harbour Workers Union (SARWHU), which is affiliated to the Congress of South African Trade Unions (Cosatu). Sats management sees Cosatu as an African National Congress/Communist Party front organisation and refuses to have anything to do with it.

Instead, it insists that all negotiations must take place through its in-house union, Blatu, despised as a "sweetheart union" by the strikers.

By traditional standards, the fact that the illegal strike in a strategic industry did not lead to instant dismissals showed great restraint, management claims. But as the strike degenerated, with the petrol bombing and stoning of trains, this "restraint" became politically embarrassing in the midst of an election campaign focused largely on security issues.

When the bulk of strikers defied an ultimatum on Wednesday to return to work or be sacked, that restraint ended as the security forces were sent in to break the strike. Six strikers were shot dead, all but the 2,000 strikers who heeded the ultimatum have been sacked and scores of Cosatu union officials were detained after security forces surrounded Cosatu House.

The unions are now discussing possible sympathy strikes and other support while Sats has offered to selectively re-employ workers who promptly re-apply for their jobs.

It is difficult to see the strike continuing for much longer under such pressure, but the strength of black determination has been revealed.

THOUSANDS of black workers from Soweto, outside Johannesburg, stayed away from work again yesterday in a protest against evictions. Several buses and taxis taking people to work were stoned, writes Anthony Robinson in Johannesburg.

In the Cape, police reported that a child was injured in one of three grenade attacks against the homes of policemen in coloured townships in the province.

The fatal shooting by police of six black railway strikers on Wednesday has increased tension in Soweto sparked by renewed protests against evictions for non-payment of rent. South African Transport Services (Sats) was yesterday preparing dismissal notices for more than 16,000 strikers who defied Wednesday's return to work ultimatum.

Strikers will be given an opportunity to re-apply for their jobs but Mr Bart Grove, Sat's general manager, made clear that strikers guilty of "intimidation" would not be re-employed.

● Reuter reports from Johannesburg: More than half the 24,000 black miners who went on strike at two South African gold mines west of the city to protest against redundancies have returned to work.

US physicists throw doubt on SDI research

BY LIONEL BARBER IN WASHINGTON

THE US Strategic Defence Initiative, the partially space-based defence against Soviet ballistic missiles known as Star Wars, needs at least ten more years of research before a decision can be made on its effectiveness, a report by top American physicists said yesterday.

The doubts about SDI expressed by a committee of the American Physical Society challenges the Reagan Administations' more optimistic estimates of a rudimentary defence system to be deployed by the early 1990s or sooner.

The report comes just before the Administration is to reveal its interpretation of whether extensive testing and development of SDI defence systems are permitted under the 1972 anti-ballistic missile treaty. Thewide gap cited by the report between present laser technologies and an effective missile defence are likely to encourage SDI critics to press for a delay in scrapping the ABM treaty.

The panel, which, included Nobel Prize winners among its civilian and military scientists, produced a 424-page report which draws on classified briefings by the Pentagon. It was completed last September after 18 months but was then subject to scrutiny by Defence Department officials on security grounds.

Progress had been made in laser and particle technologies. "Significant gaps" remained in "the scientific and engineerig g understanding of many issues associated with the development" of directed energy weapons.

The report said: "Even in the best of circumstances, a decade or moreof intensive research would be needed before an informed decision about the potential effectiveness and survivability" of the defence system could be made.

The Strategic Defence Initiative Organisation—the Pentagon office which manages the Star Wars programme — said: "We find the conclusions to be subjective and unduly pessimistic about our capability for a full-scale deployment decision in the 1990s."

A spokesman added that recent breakthroughs have brought some of the lasers, especially the free-electron laser, closer to the weapons stage.

Congress is likely to trim President Reagan's request for \$5.2bn (£3.2bn) of funds for SDI research in the fiscal year 1988, starting in October.

Shorter tours for Marines

THE Marine Corps is to reduce the length of tours of duty for Marines posted as guards at US diplomatic missions in 14 foreign cities, AP reports from Washington.

Mr Robert Sims, the Pentagon's chief spokesman, said the duty assignments for Marine guards assigned to the 14 cities would be reduced immediately from the standard 15 months to one year. Most of the cities are in communist countries.

The decision comes after a review of procedures that followed the arrests of three former Marine guards at the US Embassy in Moscow and at the consulate in Leningrad.

Mr Sims said officials believed a shorter tour for guards would reduce the threat of them being seduced or misled by hostile intelligence agents.

He said the shortened duty assignments would apply to the US Embassy in Moscow and the US consulate in Leningrad, as well as to the embassies in the capitals of Yugoslavia, East Germany, Hungary, Czechoslovakia, Bulgaria, Poland, Yugoslavia, Lebanon, Afghanistan, China, Cuba and Nicaragua.

The spokesman, discussing the espionage scandal at a Pentagon briefing, dismissed reports that military prosecutors had offered immunity to one of the Marine guards in order to buttress the case against another guard.

Stewart Fleming assesses fears over a lack of leadership in the US

Slackness in the economic muscle

WHEN PRESIDENT Ronald Reagan's political fortunes nosedived last autumn, fears that the US was facing two years of political paralysis, until a new president had taken office, swept through Washington.

It would be tempting to jump to the conclusion today that those concerns were exaggerated. A new White House staff is installed, the president has made a couple of at least competent public appearances and the arms control lifebelt thrown to him by Mr Mikhail Gorbachev, the Soviet leader, has been seized with the alacrity one would expect of a drowning man.

But there is little evidence to suggest that arms control, and what some White House officials are referring to as "detente II," is capturing the imagination of the US people and providing the president with an agenda that would allow him to coast through the Congressional public hearings next month on the Iran arms sale affair.

On the contrary: while the White House has been occupied with its liaisons with the Kremlin, and with Soviet liaisons with a group of amorous Marines, public concern has been shifting towards the darkening economic outlook.

The perception that the improvement in US military security during the Reagan years has been purchased at the cost of weakening its economic security, has been intensified by the spotlight the White House itself has thrown on the latter by its ill-judged assault on Japanese trading practices in the international semi-conductor market.

That episode, which sent the dollar plunging and politically sensitive home loan interest rates soaring, has alerted Washington, as well as Wall Street, to the underlying fragility of the US economic expansion and to the extent to which US prosperity and financial stability hinges on the behaviour of what the British used to refer to as the "gnomes of Zurich," but could be more appropriately called nowadays "the gnomes of Nippon."

The rise—superficially strong —in the growth of first-quarter real gross national product, announced yesterday, will do nothing to provide long-term reassurance. Private economists had already identified a first-quarter upswing in inventories as likely to give the GNP data a lift, which would be augmented by an improvement in the trade picture which few expect to be repeated on anything like this scale in the rest of the year.

> Washington is alerted to the extent to which US prosperity and financial stability hinge on the behaviour of what could be called nowadays the gnomes of Nippon

The first back-to-back quarterly decline in consumer spending since 1945, which has not apparently coincided with a recession, had also been anticipated. Economists are continuing to argue over whether this is an aberration related to arhythmic patterns of automobile purchases, or the start of a trend that signifies the onset of recession.

The latter interpretation represent the minority view.

However, it will gain adherence if recent rises in long-term interest rates are not reversed and rising inflation erodes modest real income gains and so threatens to undermine consumer spending.

The majority still sees a modest consumer recovery, flat capital spending and a steady, if slow, improvement in the trade deficit which will allow GNP growth to limp through the year at about 2.5 per cent to 3 per cent.

It is not a reassuring outlook, however, because most of the risks are seen to be on the downside.

Those hinge primarily on the vulnerability of the economy to instability in the US and Japanese financial markets, in a period of ris'/g US inflation, and to the manifest lack of leadership from Washington's policymakers. One US economist said this week: "It looks like Washington is going to fiddle and let Wall Street burn."

Decisive economic policy leadership from the main industrial countries is one thing which would allow Wall Street's financial markets to view the upsurge in inflation taking place this year with less apprehension. Consumer prices in the US, in the opening months of the year, have been running at annual rates of about 5 per cent, approaching a level beyond which higher inflation becomes intolerable.

Given the way import prices are behaving, a renewed plunge in the dollar could quickly push inflation through that level. What is being done to ensure that does not happen?

Mr James Baker, the US Treasury Secretary, has sharpened his rhetoric in defence of the dollar and given the Federal Reserve Board a broader remit to intervene, with other central banks, to defend the currency. Mr Paul Volcker the Fed chairman, has not resisted a rise in short-term interest rates and the Fed is also talking tough on inflation. Japan and West Germany can see that, in extremis, a cut in their short-term interest rates is preferable to a rise in US dollar rates.

But the political commitment from the industrialised countries to work together to head off an economic catastrophe — which they have just been reminded could be triggered by something as inconsequential in practical terms as \$300m worth of retaliatory tariffs — is nowhere to be seen.

In the US, the siren voices on the Right continue to inveigh against a political compromise on the budget deficit. They are now divided on the wisdom of re-appointing Mr Valcker, the strongest advocate of tackling the budget deficit, to a third term.

But at the White House and on Capitol Hill, dissension reigns. Mr Reagan has yet to be persuaded that the budget deficit needs to be addressed, even though some Congressional experts fear the 1987 deficit will be close to \$190bn and that, in 1988, it will start to rise again, just when a declining trade deficit will call for more capital to be generated domestically and less sucked in from abroad.

Meanwhile Democrats and Republicans in Congress are failing to find a bipartisan consensus on fiscal priorities—a failure manifested by the fact that the Senate Budget Committee drew up four budget resolutions which identified fiscal priorities.

One does not have to be persuaded of the economic logic behind, say, Mr Volcker's calls to cut the budget deficit. The political case alone is persuasive.

It is, however, the price that powerful allies (and suppliers of capital) are demanding to participate in the co-operative efforts to try to stabilise the world economy and diminish the prospect that, with every day that passes, the US comes closer to the downturn in the trade cycle which will carry a resurgence in the federal budget deficit.

Argentina reviews price and wage freeze

By Tim Coone in Buenos Aires

THE Argentine Government is reviewing its price and wage freeze, introduced at the end of February.

Although the military crisis has been the main focus of government attention during the past week, Economy Ministry officials have been meeting union and business leaders to continue efforts aimed to create a social contract. The idea to forge agreements on medium-term economic policy, so as to end the wave of strikes which has plagued the economy

According to interviews with union and business leaders, published here yesterday, the government's efforts have hit problems because of the freeze, and it is thought that a signal to relax the freeze may be given soon.

When the prices and incomes policy was reintroduced in February, it was announced that no new wage or price increases would be allowed until the end of June.

President Raul Alfonsin met his new labour minister on Wednesday, however, to discus union wage demands, and the President yesterday cancelled all other appointments to prepare his speech for the opening of the new session of Congress on May 1. The two key themes of his speech are expected to outline his economic and human rights policies in the wake of the Easter rebellion by disgruntled units of the army.

The defence ministry was finalising yesterday the reorganisation of the army high command. So far, half of the army generals on the active list have been retired.

Brazil cuts credit costs for hard-pressed sectors

BY IVO DAWNAY IN RIO DE JANEIRO

GOVERNMENT measures to reduce the cost of credit for Brazil's hard-pressed states and municipalities, small to medium-sized businesses and farmers, met a mixed response yesterday.

Several beneficiaries of the new regulations welcomed the moves, but some bankers believe the complexity of calculating interest rate charges will be almost insurmountable.

The new rules, announced late on Wednesday, come as the first part of broad programme of economic adjustment. Further changes—including the systematic lowering or removal of subsidies and an increase in state industry tariffs—are likely soon.

The aim of the measures this week is to ease the impact of interest rates, now ranging from an annualised 500 per cent for blue chip borrowers, to as much as 1,000 per cent for poorer risks.

Among the measures are:

● Ceilings on the spreads chargeable by banks, limited to 4 per cent a year for large lenders and 5 per cent for others.

● Authorisation for states and municipalities to borrow up to 25 per cent of their anticipated revenues from local sales taxes, at rates held to 13 per cent above that of inflation.

● Creation of a 8.5bn cruzado (£266m) fund to allow the refinancing over three years of debts held by companies with sales worth less than the equivalent of \$1.5m (£920,000) last year.

● Similar refinancing measures for farmers over four years for farmers at a cost to the government of about Cz 8bn.

In addition, the government is to set up a special commission to look into state and municipal debts

With the interest rate measures, it was revealed that the government intends to announce the abolition of its much criticised wheat subsidy within the next few days.

Despite this, leaders of the agricultural sector welcomed the agricultural package yesterday, claiming that the credit provisions will ensure that the harvest next year will not be cut through lack of investment.

Bankers are understood to be less enthusiastic about the attempt to cap spreads on loans. "Funding costs are changing daily. How are you going to monitor 100 banks?" one economist asked.

Canada bans tobacco advertising

By Bernard Simon in Toronto

TOBACCO advertising is to be banned in Canada as part of a stringent package of anti-smoking measures announced by the Federal Government.

Mr Jake Epp, Health and Welfare Minister, said that the advertising ban, which will include electronic and print media, billboards, in-store signs, coupons and promotional competitions, will be phased in by the beginning of 1989.

The Government also plans to ban all smoking in civil service offices by January 1989. As a first step, all departments are being asked to restrict smoking to specially designated areas.

Blunter health warnings will be required on cigarette packs, covering at least 17.5 per cent of the pack's surface.

Canadian tobacco companies have expected tougher anti-smoking measures for some time, and have already begun adjusting their marketing strategies. Rothmans of Pall Mall has spent C\$5m expanding its salesforce by 100 people, and plans to give greater attention to retail distribution outlets and its promotion efforts.

Reflecting the low profile preferred by the tobacco industry, Mr Patrick Fennell, Rothmans chief executive, said before the advertising ban was announced that "We have to do our work on a one-to-one basis. In public, we'll lose every time."

Organisers of Canada's leading international tennis and golf championships, which are sponsored by tobacco companies, said yesterday that the new measures jeopardise their events.

Peru oil strike 'illegal'

THE PERUVIAN Government has sent troops to guard petroleum installations and declared illegal a strike against the state oil company Petroperu, AP-DJ reports from Lima.

The anti-strike order gives the company the right to sack workers if they do not return to work.

About half of Petroperu's 7,000 unionised workers went on strike on Monday, after pay talks broke down. About 2,000 more unionised workers joined the strike on Wednesday, according to Petroperu.

The strike involves production, refining and export operations. Petroperu is the main oil producer in Peru, refining about 180,000 barrels daily, and sole exporter, shipping out 100,000 barrels daily.

Nancy Dunne reports on the latest twist in Washington - Tokyo links

Trade debate at time of high tension

IF THE flow of goods between the US and Japan was as evenly balanced as the two-way traffic in politicians trying to ease tensions, then there would be no need for next week's debate over new trade legislation in the US House of Representatives.

Instead, the stark reality is that a Trade Bill will be debated at a time of high tension in the Washington-Tokyo relationship, coinciding with the US visit of Mr Yasuhiro Nakasone, the Japanese Prime Minister.

Most of the legislation has already been worked out in committees, where strenuous efforts were made to keep it free of blatant protectionism. The big question remaining is how the Democrats will resolve their differences over an amendment to be proposed by the one Congressman in the running for the Democratic presidential nomination, Mr Richard Gephardt.

Mr Gephardt has made a tough trade stance the cornerstone of his fledgling presidential campaign, betting there will be little improvement in the $170bn (£104bn) trade deficit. He denies that his measure is protectionist and argues with some reason, that the White House labels most Congressional initiatives protectionist. He maintains that he is promoting a policy of "consistency," which is now lacking.

In fact, the candidate says, it is the Reagan Administration, with its free-trade rhetoric, which has sinned the most on protectionism. He cites estimates that American restraints have risen from 11-12 per cent on all internationally traded goods in 1981 to about 20-25 per cent now.

Mr Yasuhiro Nakasone

Mr Richard Gephardt

The Democratic leadership last week was trying to resolve divisions over the Gephardt proposals. The measure has undergone several transformations since it was approved last year by the House before dying in the Senate.

In its original form it required the Administration to negotiate, or to take unilateral action against, those countries with large trade surpluses which have demonstrated "a traditional pattern of unfair trade practices." Surpluses would have to be reduced by 10 per cent a year over a four-year period.

This mechanistic approach to reducing the trade deficit, while not differing much from the indelicate bludgeon of the Gramm-Rudman Budget Reduction Act, is anathema to the White House.

The President may well veto any legislation which includes the Gephardt proposal. Mr Dan Rostenkowski, chairman of the House Ways and Means Committee, supported a weakened version of the measure in the committee.

It would order the President to negotiate an end to "unjustifiable, unreasonable or discriminatory" trade practices in countries which export 75 per cent more to the US than they import. Trade between the two would have to be a minimum $7bn.

Seven countries now fit this category: Japan, South Korea, Brazil, Taiwan, Hong Kong, West Germany and Italy.

Whether or not they are guilty of unfair trade practices would be determined by the US Trade Representative 15 days after the International Trade Commission designates the countries with "excessive trade surpluses."

The Administration would be given six months to negotiate an agreement with the "surplus" countries to eliminate the discriminatory trade practices. In the absence of an agreement, the President would be required to retaliate against the "burden on US commerce" on a dollar-for-dollar basis.

Mr Gephardt's amendment would come into play in the second year of the Trade Bill. Those "surplus" countries which have not reformed their trade practices would be subject to a 10 per cent reduction in the US exports each year until 1992. The reduction could be negotiated or imposed unilaterally through quotas or tariffs.

However, all these onerous measures could come to naught thanks to the inclusion in the legislation of two loopholes. The President could waive action against a nation if he decides retaliation would be harmful to US economic interests. He may also reduce or waive the surplus reduction against any debtor nation.

This tortuous proposal may in the end prove to be as toothless as the trade laws it is claimed to sharpen. But it will shine the spotlight next week on "the Gephardt" and give some sorely needed attention to a little-known presidential contender, whose candidacy is regarded with pride by his House colleagues.

Japan 'has electronics plans for UK soon'

By Carla Rapoport in Tokyo

TWO JAPANESE electronics-related companies are planning to announce manufacturing investments in the UK shortly, according to Mr Giles Shaw, Britain's Minister of State for Industry.

After talks this week with potential Japanese investors in the UK, Mr Shaw said that the high level of trade tensions between Japan and the UK did not seem to have affected investor sentiment in Japan.

He was unable to give details of the two companies' investments, but said they were in the final stages of investment appraisal.

Mr Shaw also met officials of Honda, which is at present working with Austin Rover on the joint development of a passenger car to be produced in the UK. He said a production agreement on the new car could be signed by the end of this month.

On the current rows between Japan and the UK over access to the domestic financial and telecommunications markets, Mr Shaw said the issues had not created any serious doubts on the part of potential investors in the UK. "I don't think it affects their investment decisions at all," he stated.

Japanese investment in the United Kingdom is now worth about £3.2bn, with Japanese companies employing more than 17,500 people in the UK.

On the controversial issue of an EEC proposal to extend anti-dumping duties to components of those products produced by Japanese companies in Europe, Mr Shaw said that companies were not considering cancelling their investment plans because of the proposal.

Japanese industry associations and Government officials have strongly warned that the proposal, if passed, would seriously damage inward investment in Europe by Japanese concerns.

"The companies are worried about actions which could lead to trade wars. But the issues currently under discussion could not affect Japan's welcome in the UK," Mr Shaw added.

De Clercq threatens Japanese sanctions

BY CARLA RAPOPORT

MR WILLY DE CLERCQ, EEC Commissioner for External Affairs, warned Japan yesterday that the Community could take retaliatory trade sanctions against Japan if the country's huge trade imbalance with Europe was not corrected.

Mr de Clercq told Mr Tadashi Kuranari, Japan's Foreign Minister, that the EEC had had "enough unfulfilled declarations" and promises by the Japanese Government and required concrete steps to correct the trade imbalance between Japan and Europe.

"I must inform you of this so that you are not surprised by measures that might yet be taken," Mr de Clercq told Mr Kuranari.

Mr de Clercq also told Japan that the EEC regarded the US-Japan semiconductor trade agreement as "illegal" under the General Agreement on Trade and Tariffs. At the same time, it said Japan's failure to live up to the agreement was also "illegal."

The European Community, Mr de Clercq went on, did not wish to be a victim of this "illegality" twice over. If Japanese goods hit by the sanctions were diverted to Europe, the Community would take "the necessary measures to stop them."

The Commission has already sent a preparatory proposal along these lines to the Council of Ministers.

AP reports from Tokyo: Japan's Prime Minister, Mr Yasuhiro Nakasone, said yesterday that US penalty tariffs on selected Japanese, products imposed last week in a dispute over semiconductor trade were regrettable, but may have provided a good lesson to both countries, according to a Foreign Ministry official.

Mr Nakasone was responding to Mr Clayton Yeutter, US Trade Representative, who had told the Prime Minister that his office had been inundated with phone calls from Congressmen asking that certain Japanese goods be excluded from the duties.

GM unit sets up telecom services centre in Peking

BY DAVID THOMAS

ELECTRONIC Data Systems (EDS), the computer services subsidiary of General Motors of the US, is setting up a computer and telecommunications services centre in Peking, which could play an important role in China's drive to modernise its economy.

The centre, which EDS says is the first of its kind in China, will provide computer services for Chinese organisations in the Peking area. It will also act as a hub for foreign multinationals wishing to send data traffic in and out of Peking.

EDS, which had worldwide sales of $4.4bn (£2.7bn) last year, believes the deal is a breakthrough in its strategy of generating more business outside the US.

EDS has signed a 30-year agreement to set up a joint venture with the Commission for Science and Technology of the Peking Municipal Government. EDS, which will have management control of the venture, will hold 51 per cent, with China holding the rest.

The two partners will each be investing over $5m in a data processing centre in Peking, which should be operating before the end of the year.

Services offered through the centre will include systems development, educational and consultancy services, and computer operations.

Initial users of the centre are likely to include government, educational, and commercial organisations, as well as national banks, but it will also be open to foreign companies.

These organisations will be able to use the centre both to transmit their data traffic and to train their Chinese staff in computing.

Lu Yu-Cheng, chairman of the Peking technology commission, said: "The joint venture will develop information management systems for customers in industries such as communications, aviation, energy, oil and gas, shipbuilding, iron and steel, machinery, medicine and tourism."

He added that it would also develop computer-aided design and manufacturing systems for manufacturing enterprises.

The centre will use the packet switching network which the Chinese are building in Peking.

EDS, which is also considering setting up an operation in Hong Kong, believes the Peking deal will place it in a good position to win similar business in other Chinese regions.

William Dawkins adds from Brussels: Banque Bruxelles Lambert, Belgium's second largest banking and securities group, yesterday launched a computerised business information service to alert domestic companies to trade opportunities in more than 100 countries.

Entitled Tradelink, the service will provide Belgian companies with automated information on business opportunities

Eximbank, Turkey loans move

BY NANCY DUNNE IN WASHINGTON

THE US Export-Import Bank (Eximbank) and the Turkish Government are to establish an innovative $100m (£62.5m) medium-term lending facility with financing to be provided by five big US banks.

The US banks—Chase Manhattan, Citibank, Irving Trust, Manufacturers Hanover and Bankers Trust—have set up a consortium and will sell off part of the loans to other US banks. They are also expected to provide a companion facility of $70m at their own risk.

Eximbank will guarantee 85 per cent of the $100m credit line, and the Turkish Government, which will lend the money to its own commercial banks, will take the exchange rate risk.

Eximbank and the Turkish Government will act essentially as a funnel, taking money from several US banks and sending it to Turkish buyers of US capital goods and services, an Eximbank loan officer said.

The Turkish credit lines were the kind of innovative financing scheme the lending agency would be using in its bid to become more competitive with other export credit agencies, he added.

The facility will finance deals ranging from $200,000 to $10m. Loans are to be repaid in 10 semi-annual instalments, with interest at a floating rate over the London interbank offered rate (Libor).

UK exports to Egypt fall £100m

By Tony Walker in Cairo

BRITISH exports to Egypt fell last year by £100m to £371m, reflecting depressed trading conditions and a deepening recession in the country.

Egyptian exports to the UK more than doubled, however, to £328m as a result of a sharp increase in oil shipments.

Egypt's trade deficit with the UK dropped from £309m in 1985 to £43m last year.

Early indications are that there will be a further decline in UK exports to Egypt in 1987. Figures for January this year were well down on the same month last year.

Foreign traders are reporting a difficult first quarter in Egypt and they expect this to continue through the middle of the year, pending an agreement between the Egyptian Government and the International Monetary Fund (IMF) on an economic reform programme.

An IMF agreement, expected by June, would clear the way for a rescheduling of Egypt Government-guaranteed foreign debt which totals about $12bn (£7.5bn). Foreign commercial attachés report that negotiations on new projects are being held up while loan agreements with the World Bank and IMF are finalised.

UK companies, meanwhile, are slimming down their operations in Egypt. Midland Bank closed its representative office last year. Lloyds Bank this year shut its Alexandria and Cairo city branches, leaving it with its main Zamalek branch.

Higgs and Hill, the UK construction company, is closing its Cairo headquarters to cut overheads, but is retaining a permanent presence at a construction site for a new hospital in the suburb Giza near the Pyramids.

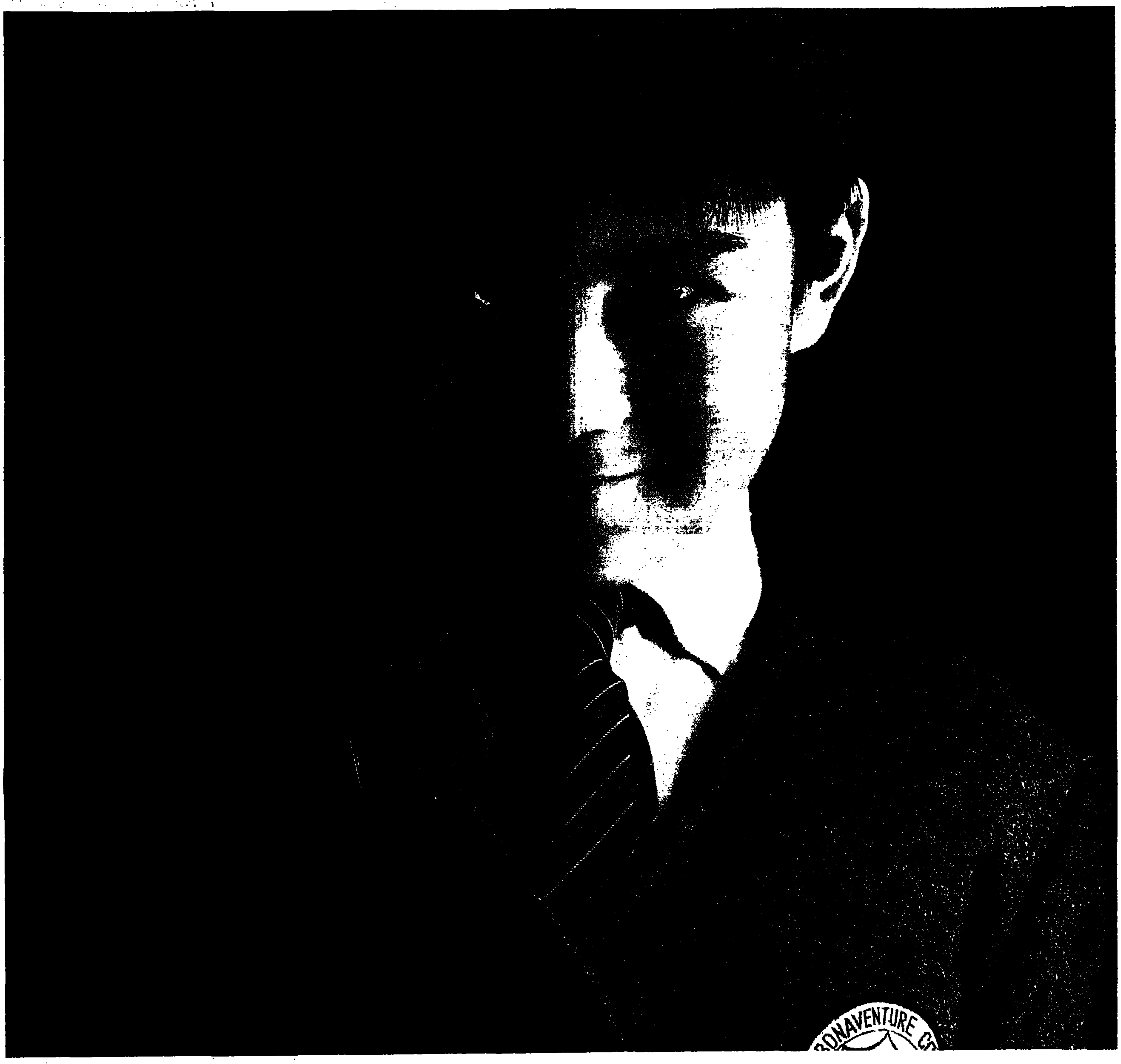
Many foreign companies have been reviewing costs and benefits of remaining in Egypt in the present difficult business climate. Foreign banks authorised to deal only in foreign currency have seen in some cases a reduction in their business of up to 50 per cent.

UAE airline signs deal with Airbus

EMIRATES, the international airline of the United Arab Emirates, has signed a contract with Airbus Industrie to buy one long-range A300-600R aircraft and has taken an option on a second, Reuter reports from Toulouse.

Emirates is Airbus' first Middle East customer for this aircraft, Airbus said. The aircraft, which will seat 279 passengers and be powered by General Electric CF6-80C2S engines, will be delivered in November, 1988.

Emirates already operates an Airbus A300B4 in its fleet, and last October ordered two A310-300S aircraft.



COMMERCIAL LAW REPORTS

Digest of cases in Hilary Term

FROM FEBRUARY 13 TO MARCH 18

Marc Rich & Co Ltd v Tourloti Compania Naviera SA (FT February 13)

The question in this case was whether non-availability of a discharging berth, due to congestion, was an "unavoidable hindrance" within clause 36 of a charterparty which excepted both parties in the event of "strikes or stoppages and all . . . other unavoidable hindrances which may . . . prevent discharging. . . ." In upholding an arbitrators' decision that the charterers were not liable for demurrage, Mr Justice Anthony Evans stated that the congestion began during laytime. It was therefore not a case where clause 36 was relied on to exclude liability for the consequences of an event occurring when the charterers were already in breach of contract.

★

The Gaz Fountain (FT February 17)

In refusing to allow an application by the owners of the Al Berry to extend the time in which is issue a writ against the owners of the Gaz Fountain for a collision which occurred between the vessels on January 2, 1982, Mr Justice Sheen stated that although the court had the widest discretion under section 8 of the Maritime Conventions Act 1911 to extend time for issue of a writ, the question was whether the court ought to deprive the defendants of the right of immunity which the Act conferred on them. In the instant case the parties had already agreed to extensions over a period of four years. There was not a single word of explanation for the plaintiff's failure to issue a writ. A court should not extend time in the absence of exceptional circumstances, which nearly always arose as a result of the defendants' conduct.

★

D & F Estates Ltd and others v The Church Commissioners for England and others (FT February 18)

Wates, which was the main contractor in the building of a block of flats, subcontracted the plastering work to independent contractors, who failed to use the plaster in accordance with the manufacturers' instructions. The Court of Appeal, overturning a first instance decision that Wates were liable in tort to the plaintiff tenants for expenditure in replastering their flat, held that while there might have been a sufficiently proximate relationship between the builder and a potential tenant in occupation, nonetheless mere proximity was insufficient. In the instant case there were considerations which negatived or limited the scope of the duty of care so that it was not just and reasonable to impose liability on Wates for its subcontractors' negligence.

★

Universal Petroleum Co Ltd v Handels Und Transport Gesellschaft MBH (FT February 20)

In a dispute over a telex contract for the sale of oil, the arbitrator gave a reasoned award, in which he found, inter alia, that although the cargo was not in accordance with the contract, nonetheless, the sellers had been "in no way in repudiatory breach." In allowing an appeal by the sellers against an order that the arbitrator state further reasons for his findings, the Court of Appeal stated that section 1 of the Arbitration Act 1979 allowed leave to appeal against an arbitral award only where the parties' rights were likely to be substantially affected by the grant. Moreover, although a party could apply for reasons under section 1(5)(b), the court should only allow such an application after the fullest consideration possible to the question whether leave to appeal was likely to be granted in all the circumstances of the case.

★

Al-Fayed v Al-Tajir (FT February 24)

At the time when he was no longer acting as ambassador for the United Arab Emirates in the UK, Mr al-Tajir wrote an interdepartmental memorandum, addressed to the counsellor at the embassy, as well as to the charge d'affaires and to the Ministry of Foreign Affairs in Abu Dhabi, sharply critical of the plaintiff, who issued a writ for libel. The Court of Appeal upheld a first instance decision that publication of the document was the subject of absolute privilege. While a litigant's right to sue for a wrong committed within the jurisdiction ought not to be curtailed, none the less there was an overriding principle that an English court should confine to an absolute minimum any meddling in the affairs of a foreign government.

★

Regina v HM Treasury, ex parte Daily Mail and General Trust plc (FT February 25)

Upon the Inland Revenue's indication that it would refuse permission to the application of the Daily Mail and General Trust plc that it cease to be resident in the UK, the company contended that a serious point of EEC law arose because the Revenue's refusal (under section 482 of the Income and Corporation Taxes Act 1970), undermined Article 52 of the treaty which abolished restrictions on the freedom of establishment between nationals of the member states including the right to set up companies. In upholding the company's contention Mr Justice Macpherson stated that he doubted whether section 482 should be allowed to fetter the voluntary movement of residence of a corporation which wished to take advantage of better fiscal climate in another EEC state. It was appropriate, therefore, that the European Court should be asked to consider the matter.

★

Allied Arab Bank v Hajjar and others (FT February 27)

In discharging a writ of ne exeat regno against Mr Hajjar, Mr Justice Leggatt stated that the bank's overriding cause of action was for damages for fraudulent conspiracy. To succeed in retaining the writ, the action had to be one in which the defendant would formerly have been liable to arrest at law. However, a debtor was never liable to arrest except for a specific debt whereas the bank was prosecuting its case in damages. Moreover, "prosecution of an action" could not include discovery and a Mareva injunction, which was a remedy in aid of execution.

★

Re Geers Gross plc (FT March 3)

Geers, which had been concerned about the growth of large holdings in Eurocom shares registered in the names of nominee companies, obtained an order under section 216 of the Companies Act 1985 against SMN restricting the transfer of the shares which SMN held to the order of GB. Mr Justice Vinelott said that SMN's undertaking to sell the shares freely on the open market was insufficient to lift the restrictions as the section was not designed only to give a company the power to unmask the true beneficial ownership of shares at the date when notice was given. It might be equally important for Geers to discover whether there had been any concerted attempt to acquire an undisclosed stake at an earlier date.

★

The Goring (FT March 4)

In a majority judgment, the Court of Appeal held that the maritime law of salvage had never applied to non-tidal waters and should not now be extended. The issue arose when three men in a small ferry boat on the Thames saved a large unmanned passenger vessel as it drifted towards the weir. Mr Justice Sheen had refused to strike out their claim for salvage but on the owners' appeal, Lord Justice May stated that the law of salvage was justified in public policy in the nature of the perils of the sea. On land different circumstances had produced different rules of law. At some point the policy based on the nature of perils at sea ceased to be compelling and the reach of the maritime law of salvage had to end.

★

The Notos (FT March 10)

Clause 6 of a charterparty on an STB VOY form exempted the charterers from delay in getting into berth, caused "for any reason whatsoever over which charterer has no control, such delay shall not count as laytime or as . . . demurrage." Clause 8 also exempted the charterers for delay caused by "strike, lockout . . . or any other cause of whatsoever nature or kind over which the charterer has no control." Delay was caused to the vessel's discharge because of swell which rendered the sea line unusable. Dismissing the owners' appeal, the House of Lords upheld the conclusion of the judge at first instance and of the Court of Appeal that just as delay caused by swell fell within the exception in clause 6, so it also fell within clause 8 as a cause of delay over which the charterers had no control.

★

CBS Songs Ltd and others v Amstrad Consumer Electronics plc (FT March 11)

In a declaratory action before Whitford J and the Court of Appeal, it was held that Amstrad's advertising of its new tape-to-tape recording machines did not give rise to civil liability under the Copyright Act 1956. However, an amendment was allowed to the plaintiffs' statement of claim for an injunction prohibiting sales that would incite purchasers to commit the offence of infringing copyright under section 21 of the Act. In allowing the defendants' appeal, the Court of Appeal stated that, outside the express statutory provision, no persons other than the Attorney General had standing to enforce observance of the criminal law through a civil court. And, as the alleged incitement to commit the section 21 offence gave rise to no claims in equity, the amendment was not legally sustainable.

★

Babcock Fata Ltd v Addison (FT March 13)

In deciding whether a sum paid in lieu of notice was paid pursuant to section 74 of the Employment Protection (Consolidation) Act 1978 as being "just and equitable in all the circumstances" upon an unfair dismissal or whether the sum in lieu should be deducted from the net loss of earnings, the Court of Appeal held that an employee could only recover once for wages lost. By making the payment in lieu the employer had complied with good industrial relations practice and there was no basis under the 1978 Act for an award of the amount of wages over the period of loss in addition to the basic award and wages already paid for the same period.

★

Miles v Wakefield Metropolitan District Council (FT March 17)

Mr Miles was appointed as superintendent registrar of births, marriages and deaths in Wakefield, by the Wakefield Council, under the Registration Service Act 1953. He refused to conduct weddings on Saturday mornings on instructions from his union, Nalgo, and the Council deducted his salary pro rata. In allowing the council's appeal against a decision that he was to be paid in full, the House of Lords stated that the true nature of Mr Miles's salary remuneration for work done and not an honorarium for tenure of office. The terms of his employment were so closely analagous to those of a contract of employment that they ought to be approached in the same way. Thus, where an employee declined to work at all for a particular period, there was no ground on which he could successfully sue for remuneration.

★

Citibank Trust v Aviyor and another (FT March 18)

In the case of arrears, a legal mortgagee generally had a right to possession of the mortgaged property except where it might appear to the court that "the mortgagor is likely to be able within a reasonable period to pay any sums due" (Administration of Justice Act 1970, section 36). In the instant case Mr and Mrs Aviyor counterclaimed to a possession order, after failing to pay the mortgagee, Citibank, on the grounds that the bank had failed to disclose a surveyor's report, paid for by Mr Aviyor. In the event, the house he had purchased turned out to be seriously affected by dry rot. In removing a stay on the possession order that it was not to be enforced if the Aviyors paid the instalments and prosecuted the counterclaim, the Court of Appeal stated that the section 36 discretion could not be exercised as they were unlikely to pay off the arrears in any reasonable period—even assuming that their prospects of success on the counterclaim were good.

This digest will be concluded on Tuesday.

By Aviva Golden

In Memoriam

ROBERT H. BETHKE

Director and former Chairman of the Board

of

DCNY CORP.
Discount Corporation of New York

on

April 16, 1987

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UK NEWS

Raymond Snoddy on problems facing the Independent

Newspaper cost of success

SIX MONTHS after the launch of Britain's first quality daily newspaper for many decades staff are battening down the hatches and cutting costs.

The Independent may have been voted Newspaper of the Year in Britain and Mr Andreas Whittam Smith, its editor, journalist of the year, but classified advertising, and in particular appointments have been a deep disappointment.

"We underestimated the difference between display and classified advertising and underestimated the number of people we needed to sell classified," he said yesterday. "It's terrible. We are less than half way towards our classified target."

In the classified columns there are now advertisements for more classified staff for the newspaper.

The paper has even been known to reproduce, free, births and marriages which have already appeared in other newspapers to try to get the classified column going. Its inability, so far, to make money from "rites of passage" is a small symptom of the paper's main commercial weakness so far.

"We have established our journalistic credentials, and that was very important and had to come first," says Mr Whittam Smith, who is at the moment combining the role of editor and chief executive of Newspaper Publishing, the company which publishes the newspaper.

The latest circulation figures show that in the six months from October to March The Independent had an average daily circulation of 288,660 compared with prospectus forecasts of around 330,000 by February.

Mr Whittam Smith picks off the plusses and the minuses with the sort of objectivity he might bring to writing a leader: circulation will probably show a fall because the paper depends heavily on casual sales and tends to do badly at holiday periods. But profile is "better than expected."

The balance sheet to date shows that at the beginning of this month The Independent drew down the last £1.8m of loan stock out of total start-up funds of £18m, although a £3m overdraft facility has not yet been touched.

In February the paper was losing £400,000 a month, based on 12 month forecasts, which included all expected increases in costs and made no allowances for increases in circulation or display advertising. The figure for March was just over £350,000 and Mr Whittam Smith says the figures will fall well below £300,000 in April.

A 20 per cent cut in variable costs – or £80,000 a month – has been ordered. This has affected everything from messengers to outside contributors and purchase of pictures.

Because display advertising has met its target and overall costs have been cut The Independent believes it can reach break-even on a circulation not much higher than 300,000, compared with the prospectus target of 375,000.

Despite its journalistic awards, will The Independent have to return to its backers, which include Prudential Assurance and Legal and General, this autumn for more money?

"I think the chances are we won't ever have to go back to them and that we will use a little of our overdraft and that will tide us over to break even; but I can't be sure – it's half hope and half forecast," Mr Whittam Smith said.

If he has to go back for more money The Independent's editor says he has to assume that the investors will continue to back the project.

Mr Whittam Smith is only too aware of dark rumours that The Independent could soon be in financial trouble despite being seen widely as an editorial success.

These, he says, come from the same people who said the paper would never raise its money, never attract staff, never mould its star journalists into a team, nor manage to launch with a print run of 650,000.

Insurance groups in life market battle

By Nick Bunker

FOURTEEN large British life assurance groups yesterday stepped up the battle for the UK's life industry when they officially launched a £6.5m campaign to defend their estimated 40 per cent market share.

The 14 companies constitute the Campaign for Independent Financial Advice (Camifa), formed in February. It aims to encourage independent life intermediaries to stay independent after next year's full implementation of the Financial Services Act.

Sir Richard Powell, Camifa's chairman, said he would not claim that the campaign was "entirely altruistic." He said, however, that Camifa did not expect any conflict with those life companies which sell via direct sales forces.

The Camifa companies all rely on independent intermediaries to sell the overwhelming bulk of their products. They include the Scottish mutual life offices, as well as Norwich Union, Clerical Medcial and General and several large shareholder-owned companies.

Between them, the Camifa companies claim to have a premium income of about £5.8bn, and to command about 30 per cent (£2.6bn) of the life and pensions industry's investment income.

The campaign is a response to fears that new marketing regulations imposed under the Act will lead to a fall in the number of independent intermediaries.

Camifa is also already sending leaflets entitled "A Declaration of Independence" to 40,000 independent intermediaries. This figure is considerably higher than previous estimates that the UK has about 15–20,000 independent life and unit trust intermediaries.

Camifa believes that about 5 per cent of the main body of 40,000 independents have so far opted to surrender their autonomy and become agents exclusively tied to individual life offices. About 20 per cent are still undecided, it believes.

Workfare programme ruled out

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THERE IS no basic reason why US-style workfare schemes – under which the unemployed have to accept public employment in order to retain benefits – could not be introduced in Britain, a report published yesterday concludes.

The report, by the Employment Research Centre at the independent University of Buckingham, was commissioned two years ago by the Department of Employment. But Lord Young, Employment Secretary, was quick to stress yesterday that the Government had no intention of introducing such a programme.

US experience left no doubt that workfare schemes could be successful although precise measurement of their costs and benefits was elusive, the report said.

It was probably very optimistic to believe that workfare could generate substantial cost savings. But it suggested that there was a role for carrying out experiments.

The economic argument for workfare was that it would reduce unemployment in two ways, the report said. Denying benefits to those who were unwilling to take part in workfare programmes would encourage employers to offer new low-wage jobs. Meanwhile, the employability of those who took part in workfare would be enhanced by training or work experience.

Calculations of the cost of a workfare system in Britain depended upon assumptions which were subject to a large margin of error. These concerned the number of participants, the level of their remuneration and administrative and supervisory costs.

The report acknowledged that a workfare scheme in Britain would encounter difficulties. Some unemployed people might see it as a "return to the workhouse," and there might not be sufficient suitable work available. Such problems, however, need not be insuperable.

Harder line on young jobless, Page 11

Ford UK's pre-tax profits fall

BY JOHN GRIFFITHS

FORD MOTOR Company's pre-tax profits fell by 32 per cent last year, to £109m from £160m, and the UK company's interest income, mainly on loans to its US parent, again exceeded its operating profit.

The pre-tax figure was made up of a £45m operating profit, down from £88m, and £64m in net interest (£72m).

However, Mr Derek Barron, who succeeded Mr Sam Toy as chairman in the middle of last year, blamed adverse currency movements in part and said the downward pressure on profits had been "significantly offset by cost reductions, efficiency improvements, increasing levels of productivity from British plants and sales strength."

The company had been able to achieve a considerable increase in the number of cars made in Britain, and "if present trends in improved productivity can be maintained we expect to make a further increase in 1987."

Despite Ford's relatively poorer performance last year compared with 1985, it paid a sharply increased dividend of £306m (£100m) to its US parent, only its second in seven years.

But this was more than offset by Ford US, cash-rich after net earnings of $3.3bn (£5.28bn) last year, repaying nearly £450m of loans made to it by the British company, reducing outstanding promissory notes from £816m to £373m.

The accounts show that Mr Sam Toy, Ford UK's chairman until his retirement until May 31 last year, received £60,544 total emoluments for the five months of last year, less than one third of the £161,561 received by his successor for the remaining seven months.

Export sales totalled £1.091bn, up from 1.035bn. However, for the second consecutive year Ford has declined to put a value on its imports, on the grounds that it is not obliged to do so, and that none of its rivals does. In 1984, it had balance of trade deficit of £501m.

Turnover increased by 8 per cent to £4.374bn, with turnover in the UK setting a record of £3.187bn.

UK NEWS

Morgan Grenfell chairman steps down

LORD CATTO, chairman of Morgan Grenfell, is to step down as part of the reshaping of the merchant banking group's leadership around Mr John Craven, whose appointment as chief executive was confirmed yesterday, writes David Lascelles, Banking Editor.

Lord Catto, who has been with Morgan nearly 40 years, will assume the new honorific title of president. The new chairman will be Sir Peter Carey, 63, the former senior civil servant, who has been effectively running Morgan since the resignation of Mr Christopher Reeves during the Guinness affair.

It was stressed yesterday that Lord Catto's decision to relinquish the chairmanship was unconnected with Morgan's problems arising from Guinness. Lord Catto had already indicated his intention to retire at the end of this year when he reaches 65. But he decided to bring his retirement forward now that a new leadership for the group is being formed.

Mr Craven, the 46-year-old founder and head of Phoenix Securities, will take ever on May 5, ending a four-month period during which Morgan has been without a permanent chief executive. Morgan will be acquiring Phoenix for an undisclosed sum, and will manage it as a separate unit alongside its own corporate finance department.

AMERICAN-style high-rise jails in city centres and electronic tagging of offenders could help solve Britain's prison crisis, a committee of MPs says. The committee claims present government plans are unlikely to remedy critical prison overcrowding, insanitary conditions and law morale.

SHORTAGE of plastics experts is costing Britain millions of pounds a year in lost exports and unnecessary imports, a leading technologist has said.

Mr Peter Powell, head of Polymer technology at Manchester Polytechnic, said each of his graduate technologists was offered an average of three jobs. He also criticised the country's failure to exploit its past scientific successes.

BRITAIN's first national museum of the performing Arts opened on the anniversary of Shakespeare's birth.

The £4.2 million museum, at London's Covent Garden traces the history of the performing arts from Shakespeare to the present day.

BOC, the industrial gases group, is to build a new plant to supply oxygen and nitrogen to British Steel's plant at Humberside, in a contract worth between £150m and £200m over the next fifteen years. The plant, with daily capacity of 1,700 tonnes of oxygen, will be the largest high purity plant in Europe, BOC claimed.

Nursing pay rises 9.5% in 'vote-winning' award

BY DAVID BRINDLE AND MICHAEL CASSELL

THE GOVERNMENT yesterday awarded in full a pay review body recommendation of an average 9.5 per cent salary increase for almost 500,000 nurses, midwives and health visitors. The decision was seen as a vote-winner with a general election in view.

Ministers also implemented the full review body recommendations for the armed forces, doctors and dentists and professions allied to medicine, but decided to stagger payment of an average 4.8 per cent award for top civil servants, judges and senior military officers.

Their average increase will be 4.25 per cent backdated to April 1, with the balance paid on October 1. This brings the increase in line with the general pay offer for other civil servants, half of whom are taking disruptive action.

Full payment of the award for nursing staff contrasts with with government practice in the past two years, when the review body recommendations have been phased or delayed to reduce the impact on the pay bill.

Enrolled nurses will receive rises ranging from 9.6 per cent to 10.4 per cent, while staff nurses will get between 11 per cent and 12.7 per cent. All increases are from April 1.

To finance this, the Government is providing a total £396m from contingency reserves to help health authorities meet the overall £718m cost of the increases. It calculates that there will be a shortfall of £30m, after taking account of earlier provision, which should be met by cost savings.

SALARY PROPOSALS

Review Body	Average increase %	Range of increase %	Cost £m
Nurses, midwives and health visitors	9.5	5.0–12.7	447
Professions allied to medicine	9.1	8.0–12.6	39
Doctors and dentists	7.7	7.0– 8.25	230
Armed forces	5.96	4.0– 7.0	200
Top Salaries*	4.8	4.6– 5.2	4

* Includes senior civil Servants and judges

In evidence to the review bodies, ministers had said that there were no plans to raise health authorities' cash limits and the health department had warned that "no more than a modest increase" in pay levels was, therefore, justified.

Taken together, the pay awards and the extra funding were welcomed by Tory MPs last night as valuable ammunition to counter accusations that the Government has been presiding over the run-down of the health service.

Ministers were pointing out that, since 1979, nurses' pay had risen in real terms by an average 29.5 per cent. Opposition leaders, however, described yesterday's decisions as cynical, pre-election ploys.

Dr David Owen, the Social Democratic Party leader, said: "The parsimony of the last two years has left a legacy of resentment and immense difficulties with recruiting skilled staff. It is a pity it requires an election to bring justice to nurses' pay."

The Royal College of Nursing, which has a no-strike rule and attracts a unique level of public sympathy for a trade union, had threatened to consider forms of disruptive action if the Government again failed this year to honour the review body's full proposals.

● With a June general election looking increasingly certain, Labour Party leaders will today spell out the party's campaign strategy to 2,000 candidates and supporters at a morale-boosting rally at Northampton, in the East Midlands.

Ex-intelligence chief was 'security risk'

BY PETER RIDDELL, POLITICAL EDITOR

SIR MAURICE OLDFIELD, the former head of MI6, the secret intelligence service, who died in 1981, was "a potential risk to security" because of his homosexual activities, Mrs Margaret Thatcher, the Prime Minister confirmed last night.

But, she stressed that "there was no evidence or reason whatsoever to suggest that security had ever been compromised; indeed he had contributed notably to a number of security and intelligence successes which would not have been achieved had there been a breach of security," she said in a written answer to MPs.

Sir Maurice's past came to light because of allegations by writer Mr Chapman Pincher in a national newspaper on Sunday.

Mrs Thatcher's answer startled MPs since Sir Maurice's homosexual activities had never been discovered during his long service with MI6, even though he was subject to regular security reviews and positive vetting clearances. But Mrs Thatcher made clear yesterday that vetting procedures had been tightened up in 1982 after Sir Maurice's admissions.

Dr David Owen, leader of the Social Democratic Party (SDP), who was Foreign Secretary responsible for MI6 at the end of Sir Maurice's career there, said last night that he was "dismayed and dejected that he could have lied about his private life and put himself at risk in a way he would never have tolerated from others."

Sir Maurice retired in 1978 after five years as head of MI6 and in October 1979 became security co-ordinator in Northern Ireland.

The Prime Minister, who was told in March 1980, said there was "a lengthy and thorough investigation by the security service, which included many interviews with Sir Maurice Oldfield himself, to examine whether there was any reason to suppose that he himself or the interests of the country might have been compromised."

Tories favour tougher welfare benefit rule for young unemployed

BY IVOR OWEN

YOUNGSTERS who reject opportunities to continue their education, undertake training, or refuse jobs are likely to be deprived of their entitlement to welfare benefits if the Government secures a renewed mandate at the coming general election, Mrs Margaret Thatcher, the Prime Minister, made clear in the House of Commons yesterday.

Amid angry protests from the Labour benches she admitted that the Conservative election manifesto – to be put before the country "very soon" – would include such a proposal.

With a gesture of defiance which won cheers from government supporters, Mrs Thatcher argued that youngsters aged between 16 and 18 who declined opportunities to stay on at school, undertake further education, enter the Youth Training Scheme (YTS) or turned down job opportunities, should not look to the Government for financial support.

She stressed that any social security benefit they obtained would be financed by "working people." and insisted that youngsters in such circumstances "are not entitled to call upon their neighbours to keep them."

Mr Neil Kinnock, Labour opposition leader, recalled that various studies had been launched into different systems of welfare benefits under government auspices and asked the Prime Minister if she was opposed to any scheme which made payment of full benefit to the unemployed or their families conditional on undertaking compulsory work or training.

Mrs Thatcher replied that: "At the moment we have no proposals for compulsory work as a condition for receiving benefit."

With the Labour benches cheering support, Mr Kinnock underlined the "wide spread concern" which would be caused by the Prime Minister's use of the phrase "at the moment."

Share stake cut at Hillsdown

By Nikki Tait

MR DAVID THOMPSON, the publicity-shy millionaire who – with his solicitor, Mr Harry Solomon – founded fast-growing food and furniture group, Hillsdown Holdings, 12 years ago, is halving his stake in the company to 15.4 per cent via a £144m share sale.

Mr Thompson, who is aged 51, and has been unwell recently, is also stepping down as joint chairman, becoming a non-executive director and leaving Mr Solomon as sole chairman.

In one of the largest-ever personal share sales, stockbrokers Hoare Govett have placed the 55.4m shares among some 90 institutions at 260p. However, Hillsdown is offering existing shareholders a clawback – first refusal – on shares at the same price, on a one-for-five basis.

Hillsdown came to the stockmarket two years ago, valued at £274m. Both before and after the float, the group has been highly acquisitive, turning round some of the largest and least successful companies in the food industry.

Lex, Page 26

Free State Consolidated Gold Mines Limited

FREEGOLD

Incorporated in the Republic of South Africa   Registration No 05/28210/06

Issued Capital: 116 179 121 shares of 50 cents each

Report of the directors for the quarter ended March 31 1987

The following are the results of the company and its wholly-owned operating subsidiary, Free State Consolidated Gold Mines (Operations) Limited.

	Quarter ended Mar 1987	Quarter ended Dec 1986	6 months ended Mar 1987
OPERATING RESULTS			
Gold			
Area mined—m^2 000	905	983	1 888
Tons milled—000—reef	4 655	4 971	9 626
—dump reclamation	1 297	805	2 102
—total	5 952	5 776	11 728
Yield—g/t—reef	5.32	5.00	5.16
—dump reclamation	0.80	1.20	0.95
—average	4.34	4.47	4.40
Production—kg	25 806	25 819	51 625
Cost—R/m^2 mined	530.88	480.40	504.60
—R/ton milled	80.72	81.76	81.23
—R/kg produced	18 617	18 290	18 454
PRICE RECEIVED ON SALES			
Gold—R/kg	27 175	29 532	28 552
—$/oz	404	410	407
FINANCIAL RESULTS	R000	R000	R000
Turnover	750 185	806 365	1 556 550
Gold—revenue	710 325	768 980	1 479 305
—costs	480 443	472 233	952 676
—profit	229 882	296 747	526 629
Metallurgical scheme profit	12 181	13 598	25 779
Net sundry income	19 124	18 474	37 598
Profit before taxation	261 187	328 819	590 006
Provision for taxation	34 702	114 999	149 701
Profit after taxation	226 485	213 820	440 305
Appropriation for capital expenditure after loan finance	141 645	118 349	259 994
Profit available	84 840	95 471	180 311
Dividend—interim			180 078
Retained profit for the six months			233
Earnings per share—cents	73	82	155
Capital expenditure—R000	145 993	123 480	269 473
Loan from Eastern Gold Holdings Ltd—drawn to date—R000	131 394	122 955	131 394

OPERATING AND FINANCIAL RESULTS

	Quarter ended Mar 1987	Quarter ended Dec 1986	6 months ended Mar 1987
North Region			
Gold			
Area mined—m^2 000	518	529	1 047
Tons milled 000—reef	2 400	2 442	4 842
—dump reclamation	233	140	373
—total	2 633	2 582	5 215
Yield—g/t—reef	5.42	5.04	5.23
—dump reclamation	0.65	0.88	0.73
—average	5.00	4.81	4.91
Production—kg	13 169	12 426	25 595
Cost—R/m^2 mined	476.59	452.74	464.54
—R/ton milled	93.76	92.76	93.26
—R/kg produced	18 746	19 274	19 003
	R000	R000	R000
Revenue	363 389	375 327	738 716
Costs	246 871	239 502	486 373
Profit	116 518	135 825	252 343
Capital expenditure	48 613	33 206	81 819
South Region			
Gold			
Area mined—m^2 000	387	454	841
Tons milled 000—reef	2 255	2 529	4 784
—dump reclamation	1 064	665	1 729
—total	3 319	3 194	6 513
Yield—g/t—reef	5.21	4.96	5.08
—dump reclamation	0.83	1.27	1.00
—average	3.81	4.19	4.00
Production—kg	12 637	13 393	26 030
Cost—R/m^2 mined	603.55	512.62	554.46
—R/ton milled	70.37	72.87	71.60
—R/kg produced	18 483	17 377	17 914
	R000	R000	R000
Revenue	346 936	393 653	740 589
Costs	233 572	232 731	466 303
Profit	113 364	160 922	274 286
Capital expenditure			
—Region including Erfdeel	95 551	87 332	182 883
—Erfdeel	44 523	34 785	79 308

Metallurgical Scheme	Quarter ended Mar 1987	Quarter ended Dec 1986	6 months ended Mar 1987
Pyrite flotation plants			
slimes treated—tons—000	4 164	4 106	8 270
Head grade			
uranium—kg/t	0.07	0.07	0.07
sulphur—per cent	0.82	0.85	0.83
gold—g/t	0.43	0.44	0.44
Uranium plant			
slimes treated—tons—000	1 175	1 154	2 329
concentrate treated—tons—000	104	116	220
uranium oxide produced—kg	124 649	120 711	245 360
Acid plant			
acid produced—tons	95 933	98 459	194 392
Gold plant			
calcine treated—tons	80 036	82 114	162 150
pyrite treated—tons	15 259	16 587	31 846
gold produced—kg	688	702	1 390
	R000	R000	R000
Revenue	39 860	37 385	77 245
Costs	27 679	23 787	51 466
Profit	12 181	13 598	25 779
Capital expenditure	1 829	2 942	4 771

SHAFT SINKING	metres	metres	metres
North Region			
Freddies Mine			
No. 1 ventilation shaft			
Advance	231	442	673
Depth to date	1 359	1 128	1 359
Station cutting	259	23	282
No. 1 main shaft			
Advance	82	—	82
Depth to date	156	74	156
Western Holdings Mine			
No. 1b sub-vertical shaft			
Advance	14	110	124
Depth to date	387	373	387
South Region			
Free State Saaiplaas Mine			
Dunker main shaft			
Advance	94	97	191
Depth to date	1 563	1 469	1 563
Station cutting	534	493	1 027
Dunker ventilation shaft			
Advance	273	206	479
Depth to date	1 526	1 253	1 526
Station cutting	94	188	282

DEVELOPMENT

Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

	Advance	Sampled					
	metres	metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
NORTH REGION							
Quarter ended March 1987							
Freddies Mine							
Basal reef	8 059	736	27.2	24.96	679	0.53	14.40
Leader reef	95	28	36.3	11.16	405	0.41	15.02
"A" reef	2 286	572	81.9	7.02	575	0.20	16.01
"B" reef	28	12	258.0	0.03	7	—	0.78
Elsburg reef	28	—	—	—	—	—	—

The development reported includes development by Freddies Mine in the area under tribute from Free State Development and Investment Corporation Limited.

	Advance	Sampled					
	metres	metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Free State Geduld Mine							
Basal reef	4 295	584	93.8	23.43	792	0.23	7.65
Leader reef	1 037	576	93.6	4.36	408	0.18	17.20
"A" reef	660	86	191.1	2.68	512	0.07	12.57
Elsburg reef	33	32	93.8	4.48	420	0.11	10.55
Pyrite reef	1 629	1 020	257.4	4.84	1 247	0.06	14.62
Western Holdings Mine							
Basal reef	6 740	904	18.9	102.65	1 940	0.92	17.48
Leader reef	2 573	984	105.0	4.60	483	0.22	23.18
"A" reef	490	198	105.1	3.21	337	0.11	11.58
"B" reef	10	—	—	—	—	—	—
SOUTH REGION							
Quarter ended March 1987							
President Brand Mine							
Basal reef	3 250	520	94.6	22.97	2 173	0.07	6.30
Leader reef	4 101	2 480	133.5	3.59	479	0.10	12.98
"A" reef	1 773	196	212.7	2.04	434	0.03	6.84
"B" reef	88	64	256.0	0.97	249	0.03	7.02
President Steyn Mine							
Basal reef	5 078	326	64.5	45.95	2 964	0.28	18.17
Leader reef	658	432	152.4	3.54	539	0.19	29.27
"A" reef	886	530	116.4	7.62	887	0.19	22.00
Free State Saaiplaas Mine							
Basal reef	6 124	838	78.9	11.62	917	0.24	18.87
Leader reef	612	338	99.8	1.70	170	0.12	12.39
"B" reef	17	—	—	—	—	—	—
Erfdeel Basal reef	5 230	342	57.4	13.21	758	0.35	20.17
Totals							
Basal reef							
Quarter ended March 1987	38 776	4 250	50.1	27.43	1 374	0.29	14.77
Quarter ended December 1986	41 505	3 718	48.2	27.43	1 322	0.32	15.22
Six months ended March 1987	80 281	7 968	49.2	27.44	1 350	0.30	14.98
Leader reef							
Quarter ended March 1987	9 076	4 838	121.8	3.74	455	0.14	16.98
Quarter ended December 1986	10 275	4 968	129.8	3.90	506	0.15	20.09
Six months ended March 1987	19 351	9 806	125.8	3.82	481	0.15	18.56
"A" reef							
Quarter ended March 1987	6 095	1 582	118.5	5.31	629	0.14	16.14
Quarter ended December 1986	6 788	1 618	132.7	4.12	547	0.11	14.28
Six months ended March 1987	12 883	3 200	125.7	4.67	587	0.12	15.20

DIVIDEND

The interim dividend of 155 cents a share in respect of the year ending September 30 1987 was declared on April 23 1987, payable to members registered on May 8 1987 and will be paid on or about June 12 1987.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at March 31 1987 totalled R161 341 000.

PRODUCTION

As a result of a number of incidents of industrial unrest, mainly in the form of faction fighting, at President Steyn and Freddies Mines, gold production for the quarter was lower than anticipated.

For and on behalf of the board

E. P. GUSH } Directors
L. HEWITT }

April 24 1987

WELKOM GOLD HOLDINGS LIMITED

Registration No. 05/24464/06

and

ORANGE FREE STATE INVESTMENTS LIMITED

Registration No. 85/05715/06

(Both of which are Incorporated in the Republic of South Africa)

The attention of shareholders of these companies is directed to the above report

London Offices: 40 Holborn Viaduct, London EC1P 1AJ

The Transvaal Group's quarterly results appear on another page in this newspaper.

Yamazaki jolts machine tool market

Nick Garnett looks at a new entrant to a sector of British industry already suffering from over-capacity and cut-throat competition.

DURING A recent visit to Yamazaki's new machine tool production plant in Worcester, in the West Midlands, Mr Paul Channon, Industry Secretary, described as "amazing" the greenfield project with its automated guided vehicles and computer controlled stacker cranes.

The UK's machine tool makers and some of their European competitors, already engaged in a cut throat sales battle might well share Mr Channon's admiration for Yamazaki's production technology.

But their overriding response to the £35m non-union factory which came on stream two months ago has so far been one of apprehension which for some has bordered on fear. "It is going to be a hell of a jolt to the industry," says one machine tool maker.

It is not difficult to see why. The Japanese company, which received £5.2m in direct government assistance for the project is planning to build 1,200 small-medium and medium-sized computer numerically controlled (CNC) lathes and machining centres a year when Worcester comes into full production, scheduled for spring 1988.

In other words Worcester will be able to produce the equivalent of 50 per cent of the total existing output of UK-made CNC machines with a direct plant workforce of about 180.

Output of assembled machines – which the company has promised will soon have 60 per cent local content based on a broad definition including wages and factory operating costs – is at present running at the rate of 20 machines a month.

Some 65 Japanese, mainly engineers, are on site but this will come down to a "permanent" Japanese presence of nine, including the managing director. Yamazaki has given assurances that it will export 80 per cent of its output, mainly to the rest of Europe.

Even so, Mr Les Pratt, Yamazaki's marketing manager at Worcester, says the Japanese company is aiming to raise its share of UK machining centre sales from its present 15 per cent to between 25 and 30 per cent. Its share of lathe sales is aimed to rise from 10 to more than 20 per cent.

In a market troubled by vast over-capacity and persistent discounting of 15 to 30 per cent below list price by certain Korean, Taiwanese and Japanese producers, that can only mean a lot of grief for some indigenous UK and European machine tool companies.

"This is certainly going to cause pressures in the European machine tool industry" says Mr Jim Stergiopoulos, marketing director at Cincinnati, the US company which has a substantial manufacturing site in Birmingham. "The industry needs less capacity not more."

Some European manufacturers have been even more hostile. West German producers such as the big lathe maker Gildemeister, which have been in a pitched battle with the Japanese on their home turf, fought tooth and nail to prevent Yamazaki setting up in West Germany.

The UK market for CNC lathes – with machine rounded parts – is about 1800 machines a year and is highly fragmented with more than 100 companies offering products.

Clear market leader, however, is TI Machine Tools with its Churchill lathes. Because of this, the machine tool industry believes it to be the most vulnerable to the impact of the Worcester plant.

TI, whose new group management in London has indicated privately that it might eventually sell the machine tool business, produces more than half the CNC lathes manufactured in the UK. TI Machine Tools, which took record orders last year of £25m, is planning to introduce a new lathe model in the summer.

The 600 Group, with TS Harrison and Colchester machines, is a big lathe producer but its main output is of centre lathes costing below £30,000, less than half the price of Yamazaki machines, and with which it is not in direct competition.

Beaver, the expanding Norwich-based company and one of the few recent success stories in UK machine tool building, is on the point of constructing a new lathe-making factory in Peterborough.

About 700 machining centres are sold in the UK. These machines which have become more popular at the expense of conventional milling, drilling and boring equipment machine angular parts. The machining centre has far fewer suppliers than that for lathes. Apart from Yamazaki, the main British-based producers are Bridgeport, Beaver and Wadkin as well as Cincinnati and to a lesser extent, TI.

British-produced machinery centres have increased their share of the UK market in recent years. However, TI closed its plant near Newcastle-upon-Tyne last year to concentrate manufacturing in Coventry and has recently begun assembling Japanese Takisawa machines to give it a vertical machining centre. Cincinnati is also closing its Biggleswade, Bedfordshire, operation to concentrate production in Birmingham. All of these producers compete with Yamazaki somewhere along the line.

However, Bridgeport which has the biggest turnover of any British-based operation from its two factories is partly protected because its machines have more of a specialist niche with a bias towards milling tasks. Bridgeport makes its own-designed vertical machining centres but its horizontal machines are designed by Yasuda of Japan and made in with largely EEC components.

Wadkin, part of the Robinson Group, makes 10 machines a month and Mr Mike Goodrich, chief executive of machine tool operations, emphasises the individual attention a company like Wadkin can provide to potential customers.

So too does Beaver, but the company is annoyed at Yamazaki's presence. "The real purpose of Yamazaki in Worcester is to be seen as a European builder if more restrictive import curbs are introduced," says Mr Tony Baldwin, Beaver's managing director.

The machining centre market is plagued by merciless pricing. The accusing figure is usally pointed at the importers of Korean and Taiwanese machines – in particular machines made by Leadwell, the Victor group and Dah Lih. Importing companies are under contract to buy a minimum number of machines and are, therefore, under pressure to shift them

The rise of the yen has forced companies like Kitamura to raise list process to a level 30 per cent above those of some UK domestic producers but Kitamura products are still said to be undercutting domestic prices after discounting.

Caterpillar talks to potential plant buyer

BY JAMES BUXTON IN EDINBURGH AND CHARLES LEADBEATER IN LONDON

CATERPILLAR, the world's biggest manufacturer of earth-moving equipment, is in talks with a potential purchaser of its tractor plant at Uddingston, near Glasgow, it said yesterday.

The US company ran into a storm of criticism after it announced in mid-January, less than four months after it unveiled a £62m investment programme for Uddingston, that the plant would close within a year. Employees have been occupying the plant despite a court order obtained against them by Caterpillar.

The company said yesterday that the prospective purchaser, which it would not identify, was not in the earthmoving equipment field.

The purchaser wanted to start operating in part of the plant from the beginning of next week, the date the company set for a return to work by its employees. The deal therefore appears to be conditional on a swift return to work. Caterpillar would be prepared to make space available at once to the new occupant.

It is thought that the new occupant would take over the whole of the 1.1m square foot plant but would not need the entire 1,200-strong workforce. It is believed that Sir Monty Finniston, the Scot who is a former chairman of British Steel, is closely involved in the project for taking over the plant. He was not available for comment yesterday.

The news of the possible purchaser was welcomed yesterday by Mr Malcolm Rifkind, Scottish Secretary, who said the Government would offer help and financial assistance. It is understood that Scottish Office officials have been in touch with the interested party.

Talks aimed at ending the occupation were continuing last night in Perth, with Amalgamated Engineering Union officials

Shell chief optimistic on future of North Sea oil

BY LUCY KELLAWAY

THE NORTH SEA is still an attractive oil province despite the effects of the fall in the oil price, Mr Bob Reid, chairman of Shell UK has said.

Speaking to Scottish businessmen yesterday he warned, however, that the recent recovery in oil prices might be short lived, because of instability among Opec members.

The price rise since the middle of last year may have "done something to restore confidence, but it would be a mistake to believe that what we have been through has been no more than a hiccup," he said.

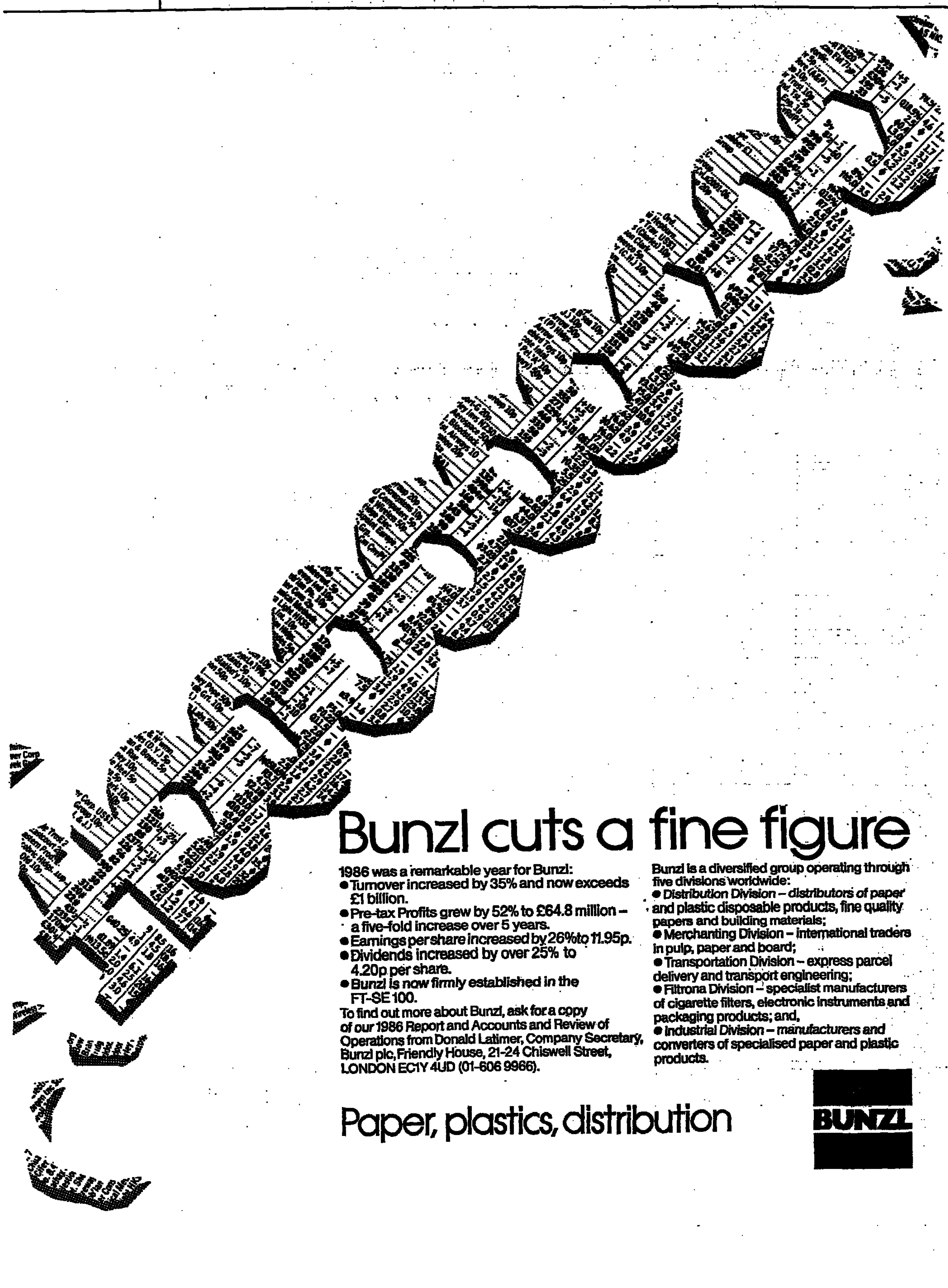
Nevertheless, he predicted that companies would continue to look for oil in the North Sea, and increasingly apply technology to find cheaper ways of developing it.

He presented a fairly optimistic future for the offshore suppliers, arguing that there would be opportunities for the UK's "first class" industry, both in the North Sea and overseas.

The initial reaction of "alarm and despondency" to the fall in the oil price had been overdone, he said.

On the fiscal regime, Mr Reid gave a muted welcome to the tax changes in this year's budget, but urged the Government to remove the discrimination against new fields in the southern part of the North Sea, which are not entitled to the cross-border relief allowed by more northern fields.

He also called for incremental investment allowances, which would encourage companies to use new techniques to extract more oil out of existing reservoirs.



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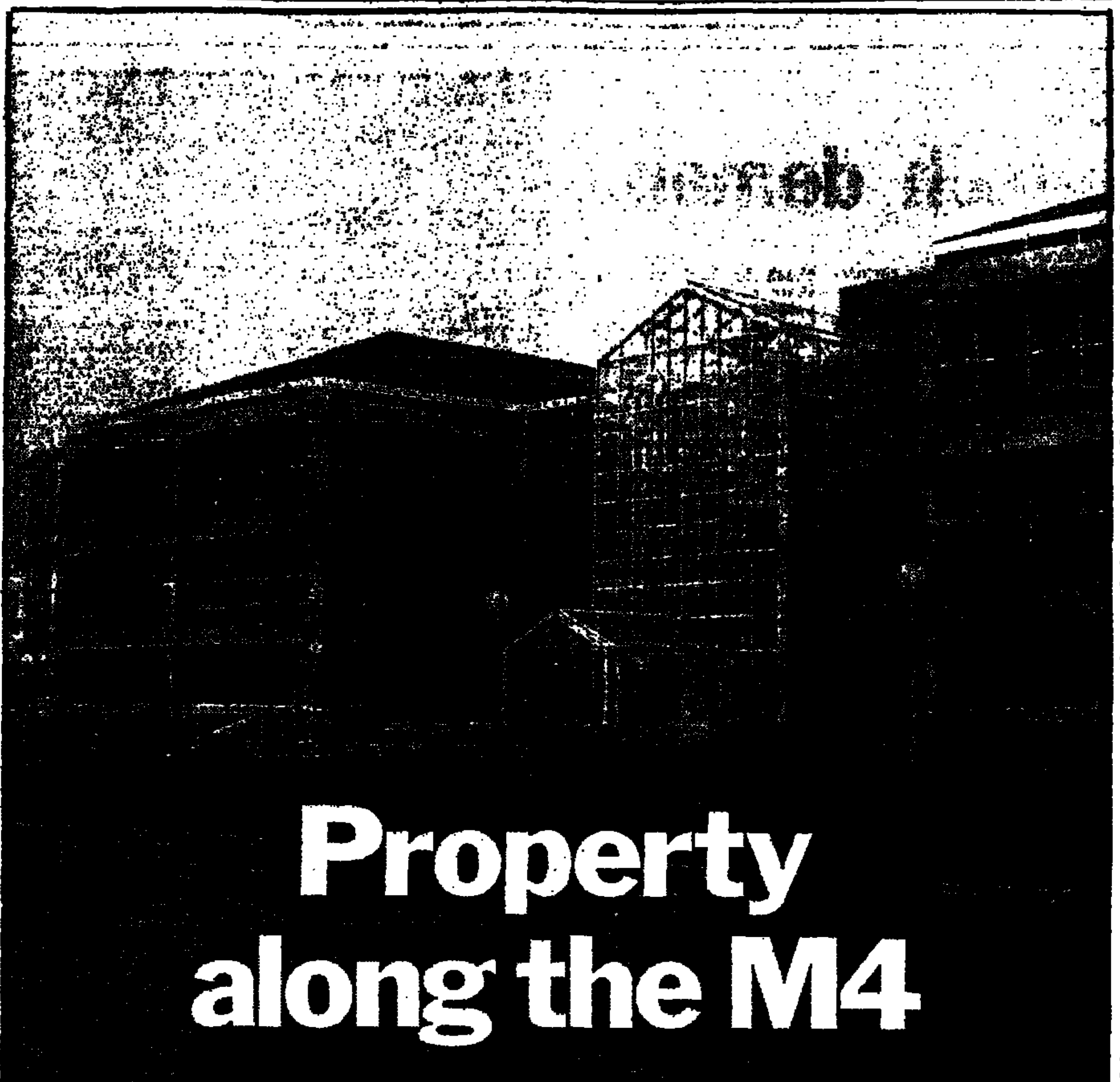


Property along the M4

A 100,000 sq ft building in the first phase of Stockley's international business park at Heathrow, reported to have been leased as a computer centre for a leading British company

The M4 motorway, linking London with Wales and the West, remains a highly attractive property location. It now faces competition from other motorways, notably the M3 and M25, London's orbital road, as **William Cochrane** reports.

Corridor still in high demand

IT HAS been an intense year for business property in the Western Corridor, particularly along those stretches of the M4 motorway close to London and Heathrow airport.

The M4 is Britain's most mature motorway property location; it has been under attack in recent years from the M3/M27/A3(M) complex connecting London and South Hampshire; and the attack has intensified in a crescent north and south of Heathrow with the completion of the M25, London's orbital motorway.

The question must be whether the M4's very maturity has limited the ability of locations like Heathrow, Reading and Bracknell to react to events in and around the commercial property market.

Property professionals have noted, for example, a relative lack of "high-tech" accommodation around Heathrow airport. Others are disposed to wonder whether the sheer intensity and quality of demand in this location had something to do with it.

Heathrow, it could be argued, had plenty of demand for hybrid office/industrial property before high-tech was invented as a type. So instead of the 50:50 industrial/office combinations on two floors which became popular in the 1980s, it hosted the rise of mid-tech — 25 per cent to 30 per cent offices dressing up the front of a building, and good quality industrial at the back.

Bracknell, perhaps, did not have enough of the wide open spaces which high-tech and campus developments really enjoy; at any rate, it got a lot of the tight, backland, tin pavilion, so-called high-tech development which has given the type a bad name in the past two years.

Reading's status as the top Thames Valley commercial centre has been under fire due to out of date and insufficient retailing, and the thought that campus offices on or near motorway junction locations might be preferable to the traffic congestion which has afflicted the town at rush hour.

However, local observers say that the Western Corridor is still in high demand as a business location. Reading-based chartered surveyors Campbell Gordon said in March* that demand for commercial and industrial property in the Thames Valley is continuing to run at record levels.

During 1986, they said, 706 companies entered the market with a total space requirement of 20.8m sq ft. In 1985, the figures were 672 and 17.8m sq ft respectively.

The firm found no evidence in 1986 of a significant slowdown in any sector; the fact, and corollary, that they found no evidence of a rapid increase in the demand for any particular sector may indicate the need for a watching brief.

The survey established that total demand for warehousing in the area continues to increase, and now makes up about one-third (32.3 per cent) of the total. Close to London, agents who want to satisfy that demand are frustrated by lack of development; industrial development indicates land values of £½m an acre at best, while a good high-tech proposition can double that figure.

The battle for the hearts, minds and—more important—the money of the shopper intensified all along the Corridor. In Bristol, in March last year, the Prudential Assurance initiative in a 650,000 sq ft out of town retail park for Cribbs Causeway, north of the city, was upgraded to a £90m regional shopping centre in partnership with Marks & Spencer.

The plans coincided with a report from 15 pressure groups and other organisations which said that a planning crisis was threatening Northavon, the planning authority concerned, with greenfield development going ahead at the expense of the inner city.

The "Pru"/M & S scheme, called Retail 2000, took in 600,000 sq ft of net retail space alongside 160,000 sq ft of retail warehousing and the components were valued at £75m and £15m respectively. Subsequently, local developer Mr Jack Bayliss, who had already publicised plans for a 1m sq ft gross, £100m scheme on an adjoining site, said that he was processing inquiries for 400,000 sq ft of space.

Last May, meanwhile, ARC Properties announced plans for a 1m sq ft, £150m shopping scheme on worked-out aggregate land at Wraysbury, Berkshire, very close to Heathrow airport. The building was conceived as looking like a hanging garden, floating in the centre of a lake, and the development would be surrounded by a 205 acre country park and nature reserve.

However, the site was also green belt. And in October, Mr William Waldegrave, Minister for the Environment, told a conference run by chartered surveyors Edward Erdman that the government was planning to restrict development of large shopping centres, especially in the green belt.

Mr Waldegrave's plans for dealing with the shoal of out-of-town planning applications left the two Cribbs Causeway proposals effectively called in for ministerial scrutiny on the grounds of their size, and Wraysbury-type projects blocked by the central government's defence of the green belt—which it has reiterated on several occasions since then.

This has given town centres the time to fight back. Plans for redevelopment in and around Bristol's old Broadmead centre could lead to a coherent, revitalised 2m sq ft of shopping in the centre of the city, well parked and with good motorway access.

The same sort of thing could happen in the town centre of Staines, currently favoured as the prospective regional centre for the Heathrow area. These items are dealt with elsewhere in this survey.

With Reading, the retailing question last July was whether London & Edinburgh Trust's decision to change its plans for the Courage Brewery site in the town centre—chopping the office element of the scheme back and bringing in a major shopping project—reflected retail prospects, Reading's traffic jams at peak commuter time, or a prospective change in planning law.

If LET had been anticipating proposed changes in the Use Classes Order — creating a new class of business property which would amalgamate light industrial and office use, and encouraging out of town campus office development — it would be waiting still.

Ian Campbell, senior partner of Campbell Gordon, notes in a current paper that proposed changes in the Use Class Orders have still to be made effective. The Department of the Environment says that it has been involved in extensive consultation over the changes, which involve all sorts of accommodation apart from the industrial/office hybrids; it has been concerned, it says, with getting the changes right.

As it happens, LET director John Newman thinks that the company's change of plan represents Reading's last chance to take pole position in the Thames Valley retail market. The company acknowledges the traffic congestion in the town centre but says that it is bumping up parking provision by 1,100 spaces. Other professionals note that shopping, in theory, would produce a different traffic pattern.

Pure office demand may be influenced by the fashionable perception that combined research and development, administrative and production functions make more sense than dispersed operations in a number of locations. It may be waiting for campus development to become a more serious proposition, though Mr Campbell thinks that local councils may react if changes in planning law seek to drive a coach and horses through their policies of restraint.

However, what is clear is that high value accommodation in top locations will have its fair share of promoters. Last June Speyhawk paid nearly £3m an acre, £6m for the 2.19 acre 72K site at the Ring, Bracknell. The site was undeveloped land in the town centre and had planning permission for 98,000 sq ft of office floorspace.

In July, Danny Desmond's rising Bride Hall development company and PosTel got formal approval from Bracknell district council to develop a 650,000 sq ft business park on 37 acres in the centre of the town's commercial area.

Will the establishement of M3 and M25 markets cut off M4 development somewhere west of Reading? Articles elsewhere in this survey, on the Thames Valley, the West and Wales, deal with this question.

In the east, the gradual exclusion of low value industrial property from high value locations may be a fact of life. It has certainly been accepted across the world, in Silicon Valley and Orange County, California.

Instead, the M4 may continue to hit the headlines with the sheer scale of its international business parks: Stockley, near Heathrow, up to 2.4m sq ft; a Prudential Assurance, 100 acre acquisition near Reading which may produce 1.12m sq ft as the first phase of the Axiom 4 development; and a potential 1.25m sq ft by Sheraton Securities on 65 acres next door.

** Demand 86, a Thames Valley Survey, published in spring 1987 by Campbell Gordon, 48 Queens Road, Reading, Berkshire RG1 4HU.*

Industrial

Doubts on high-tech demand

LAST NOVEMBER a survey of new industrial property in the Thames Valley by Reading-based chartered surveyors Campbell Gordon said that there was no serious over-supply of new industrial property in the region.

In the 18th-month period to June 1986, it estimated, the total take-up was 5.33m sq ft in 266 sales or lettings. In the 18 months to December 1987, it forecast, the total supply in the pipeline would be 6.95m sq ft.

Senior partner Ian Campbell said that the increase in supply was confined to the high office content sector—encapsulated by the trade in the term "high tech."

However, the quality of supply did not necessarily equate with demand, which he estimated at 14.7m sq ft in 1984, 13.6m sq ft for 1985, and expected that the total for 1986 would be higher.

Other comments have been less measured, according to Mr Quentin Jones, joint managing director of developer Beacontree Estates.

"On reading most of the published reports in respect of the industrial market in the mid- and late-1980s," he writes, "it appears that high technology industry is past its heyday. Sheds are now back in fashion and there will be acres of office-style high tech units remaining unoccupied for years to come."

Mr Jones demurs. "The experience of agents and developers active in the Western Corridor," he says, "presents a far different picture."

He lists a number of letting successes for the genre since 1984 including, last year, two schemes by his own company in Maidenhead, Berkshire, which went to names like Northern Telecom and Commodore at rents reaching £10.50 a sq ft.

He contends that in the past five years, high tech property has come of age; that the growing sector of the economy is information technology; and that an increasing number of commercial organisations are now able to fit into a high tech planning use category owing to their use of computerised facilities.

He says that there is strong demand despite short-term over-supply in some locations; and that the enigma is the shortage of fund investment during a phase of high tenant demand which, he says, "has resulted in more and more schemes being financed by sophisticated structured finance from banking sources.

Agents Richard Ellis certainly agrees on the matter of over-supply, and the nervousness of the institutions. Richard Storey, from the firm's industrial agency side, says that there is dramatic over-supply in Bracknell which has 400,000 sq ft up and ready, while Swindon has a problem of similar scale to deal with.

Stephen Hubbard, a partner on the investment side, believes that developers need a better research base and better statistics on locational supply and take-up. "Developers are losing a lot of money through this," he says, "and funds are still very, very wary of high tech."

Beacontree and Ellis are also united in saying that high tech needs image and quality of building and location, ease of access and quality of environment.

A good deal of high tech has fulfilled these criteria. Unfortunately, the wave of enthusiasm for this sort of property broke on the back-to-front development process which followed.

Developers paid over £1m an acre for land, a price which allowed them no latitude in the rents which they had to charge and, therefore, the sort of property they were able to put up.

Others built tin pavilions cheek by jowl on backland, short of prominence, access, parking and environment. The back lots of Bracknell, temporarily famous as the high tech capital of Britain, have been a case in point.

What funds do want, says Mr Hubbard, are quality buildings in quality locations, not poor buildings and/or backland sites. "They want good, brick-built, two- to three-storey office lookalikes with good parking and all the trimmings," he says. "They are not interested in a tin shed called high tech any more."

What they are interested in sounds like buildings which can be turned into office accommodation when the new Use Classes Order puts office and light industrial accommodation into one new business class.

Meanwhile, Ellis see a complete lack of supply in traditional sheds and they do not see the situation changing overnight. Institutions are not rushing to fund sheds and even if they were, land values in the Thames Valley have risen to a point where old fashioned industrial development is uneconomic.

The situation is that development of land for high tech, and the letting of that high tech for over £10 a square foot, allow for a land value of up to £1m an acre after building, funding and marketing costs. The land value is a residual in the calculation.

It follows that top traditional industrial rents of £5.50 to £6.50, at Heathrow, imply a land value of little more than £400,000 an acre. "In the main," comments Mr Hubbard, "landowners will sit tight, hold on to their land and wait for better times."

When you can get the investment in traditional industrial property, say Ellis, it should be rewarding. At the end of last year the firm signposted the recovery of industrial property investment. They forecast that yields in 1987 would come back be at least a percentage point from the 8¼ per cent for prime property, and 11.4 per cent at average level that they measured in 1986.

For the Thames Valley, they say that as Britain was coming out of economic recession, property companies were able to pick up industrials to get 15 per cent returns, so that even at the then higher costs of money they were more or less self financing.

Now that institutions and pension funds have come back in, as buyers of investment situations which are up and let, Ellis say, that average yields are down to 10 per cent for better quality properties in the Western Corridor, and 9 per cent for some.

Site values have come back from the £1.3m per acre established a few years ago in Slough but Mr Hubbard foresees a point where they will begin to pick up again.

He is willing to forecast that this will happen over a 12-month time frame, beginning in the second half of this year. This would imply supply of land, and the beginnings of a new wave of industrial development from the middle of next year.

William Cochrane

Slough's award-winning Queensmere Centre

Eagle Star Properties' 27,000 sq ft mid tech at Poyle, near Staines, which, after a long wait, has just been let to Kintetsu (UK), part of Japan's largest transportation group, at a rental of £7.25 a sq ft.

Retail

Town centres fight back

OLD FANS of the Western Corrider commercial property market may observe, where the development climate is hot, that retail property seems almost an afterthought—that is, until you get to Bristol, where the planning war between in-town and out of town shopping has grabbed a lot of the headlines.

However, this may be the headline mentality. Robert Bonwell, an associate dealing with suburban shops at agents Edward Erdman, contends that retailing—far from being a "follow-on" to the industrial, residential, office and high tech development along the M4—is part of and parcel of that growth.

He can cite a number of developments to support that view.

Staines is an A30 town but it is immediately south of Heathrow airport. It is threatened by an ARC out-of-town megacentre development of 850,000 sq ft proposed for Wraysbury, nearby. Its existing shopping centres on the Grosvenor Developments Elmsleigh Centre completed five years ago, 239,000 sq ft and 45 units, originally let by Erdman to names like BHS, International, Marks & Spencer, Woolworth and Booths.

Mr Bonwell says that the units in the scheme are already too small—there has been a widespread pattern recently of successful retailers demanding more space per outlet—and strong demand has doubled rents at first review to £45 a sq ft Zone A.

Grosvenor, accordingly, is submitting a planning application for a further 70,000 sq ft adjoining the centre on land to the south of Staines High Street.

In addition, say Erdman, a planning application is in for the Staines Central Trading Estate, which is located immediately to the north of the High Street and has leases expiring in 1991-92. Hanover Trust, which owns the estate, is looking for 750,000 sq ft of retailing here in conjunction with MEPC, Britain's second biggest property company.

There could, it seems, be a direct link into the scheme from the M25. Wraysbury, on the other hand, is in greenbelt. Circumstances may be moving Staines towards becoming the major retailing centre which West London badly needs.

Back on the M4 proper, Slough won an award last November from the British Council of Shopping Centres for the refurbishment of the 400,000 sq ft Queensmere Centre, owned by PosTel Investment Management and the Lazard Property Unit Trust in a scheme project managed by Erdman.

The scheme added presence, security colour and style to the centre, which has 80 units with Marks & Spencer, Littlewoods and Tesco among the big names. Shop rents, say Erdman, have been brought up to High Street level, almost doubling from £35 to something in the region of £60 a sq ft.

Next station along the line is Reading, a major regional office, industrial and commercial centre. Its 150,000 sq ft Butts Centre was recently refurbished and renamed the Broad Street Mall. The growth of the town, say Erdman, has left this centre behind.

At any rate, the thrusting property development company London and Edinburgh Trust has revised its ambitions for the Courage Brewery site in the town to incorporate 330,000 sq ft of retailing based on the fashionable "galleria" concept.

LET said last year that the development would provide over 40 shops, from major department stores and food halls to speciality outlets and boutiques; 1,100 car park spaces; over 1,000 jobs; £1.25m in annual rate revenue for Reading council; a direct pedestrian link with the existing Heelas building; and a facelift for the River Kennet, which has been cut off from the town for many years.

Discussions are apparently taking place with the planners and while an appeal date is set for August 4, because of non-determination of the planning application, Mr Bonwell believes that the local authority will recommend approval of retailing on this site.

Further west in Newbury the biggest property company in the UK, Land Securities, says that it is making successful progress with the Kennet Centre, Phase II has been let in its entirety to multiples like Mothercare, Our Price and Toy Factory and Phase III is due for completion shortly.

This will take the total shopping area of the centre up to 170,000 sq ft. The latest phase will provide an enlarged supermarket of 53,000 sq ft for Sainsbury, a shop, four kiosks and a new multi-storey, 448 space car park.

A fourth and final phase is in the early conceptual and planning stage, says Lands. This will comprise further shopping so that the eventual total retail area of the Kennet Centre will be over 200,000 sq ft.

Richard Page, an Erdman associate dealing with provincial shops, looks at Swindon. He says that the Brunel Centre, 500,00 sq ft facing Regent Street, is beginning to look a little tired. However, he says, it is still a good percentage of the best retailing in the town, built and controlled by the local authority.

The best section of Swindon shopping, he says, is the traditional pitch on Regent Street, where people are talking about £55 a sq ft Zone A and proving it on review.

On the other side of Regent Street is an extension of high street shopping called "The Parade" which leads to a Debenhams department store, car parks and bus stops. Sun Alliance intend to refurbish this section, and put a roof on it.

Other clients of Erdman expect to knock down a section of outmoded shopping opposite the Brunel, and replace it with 30,000 sq ft of units.

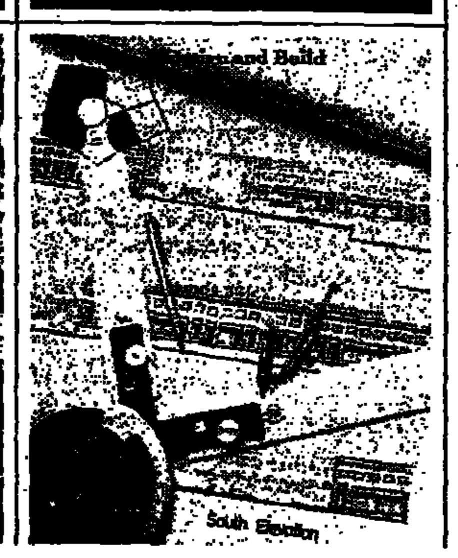
However, the local authority may regain the retail initiative. Mr Page says that it has a limited brief out with selected developers to develop a car park space south of the Brunel, and link into it. This could provide about 50,000 sq ft.

This process of refurbishing, stimulating and adding to older centres must be coming to its apogee at Bristol. Erdman say that major out of town schemes by the Prudential/Marks and Spencer, and by local developer Jack Bayliss, have been effectively called in by the Department of the Environment.

But whether they go ahead or not, they have got the town centre going. Ladbroke City and County is going ahead with an £80m, 300,000 sq ft centre at Broadmead; and next to Broadmead, Erdman is acting for ARC which is planning "The Bridge" which could be 240,000 sq ft, literally at the end of the M32 link to the M4, with 2,200 car park spaces within three car parks.

The out of town shopping threat, which featured strongly in this survey last year, certainly seems to have brought its response from the town centres.

William Cochrane



Thames Valley

Pressures from growth put Mr Ridley on the rack

THE THAMES Valley is the prosperous heartland of England. And that in a way is its problem.

Its very prosperity creates a demand for the *status quo* from those who enjoy the prosperity. For this is the prosperity of open space, of economic development often in a semi-rural atmosphere. Those who have moved in precisely because they prefer it to the big city do not want to see, and live in, acres of concrete.

Yet the dynamism of the area thrives only on the influx of the new and the expansion of existing companies. And it is natural that there should be this thrust for economic expansion. A skilled workforce, easy communications, easy reach of the fninancial services of London and the entertainment of the metropolis.

So the planners are in a cleft stick. They want to maintain the economic impetus and the broad thrust of Government planning policy demands that they should. But they do not want to allow untrammelled development because that would destroy some of the facilities that draw companies and people into the area in the first place.

In terms of future policy, the situation is uncertain. The whole matter is up for review.

As far as the basic documents are concerned — the structure plans that are followed by the counties and act as a *Vade mecum* for the developers — everything now depends on Mr Nicholas Ridley, the Environment Secretary. And the betting is that he will do little before the election. The very existence of the planning cleft stick makes it certain that anything he does will be wrong. He will think, most analysts believe that there is little to gain from anything which might rock the conservationist boat.

In Berkshire, the crucial county, there is a jigsaw of three approved structure plans. But a single Berkshire planning review document is now before Mr Ridley. It is hardly surprising that there should be a review. After all the existing, unreviewed structure plans were approved in the late 1970s and that means the thinking behind them, given the length of time involved in the consultation process, dates back to the early 1970s.

The Thames Valley was always an economic region in its own right, but the thinking in the plans could not obviously have embraced the emergence of the area as a British high technology centre. Nor could it have anticipated the increase in motor traffic caused not only by more cars on the roads generally but by more people moving into the area.

Planning of two decades ago envisaged the London conurbation spinning off westwards and

Infrastructure development should be allowed to catch up with commercial development. The message is "slow down"

that basic policy theoretically has never changed. The growth has indeed taken place. But in the review plan, which will be crucial for setting the limits to new development, the implication is that the growth has been too fast and that it ought to be slowed down. Infrastructure development should be allowed to catch up with commercial development. The message is "slow down."

How Mr Ridley will reconcile the broad desire to use the planning system to facilitate growth with the desire also to keep the green fields green is not obvious. "Where do we go from here? There is not a consensus decision," observed Mr Ian Campbell of Campbell Gordon, the Thames Valley chartered surveyors.

One difficulty is that there is not a great deal of room to go anywhere. Mr Campbell likens the Thames Valley to a reservoir of demands flowing in from other areas and merging with the intrinsic demand of a growth area. The area is hemmed in by other areas where development is curtailed. There is the wedge of Green Belt which stretches roughly from the edge of the old Greater London Council area to Bracknell. Slough and Maidenhead are surrounded by Green Belt areas. Near High Wycombe there is an Area of Outstanding Natural Beauty. North and west of Reading there are Areas of Outstanding Natural Beauty.

What is certain is that the planners are adopting a cautious view. Even in Bracknell, where the authority has interpreted, freely and flexibly, the use that may be permitted on high tech properties, there is only a limited allocation for office space over the next decade. There is an office quota in Reading, effectively a ban on speculative building.

Newbury is permitting only very limited development opportunities, to the extent that Mr Allan Kennerley of Dreweatts, the chartered surveyors, has warned that there will be a serious slowdown in growth unless there are changes to the structure plan.

But even the most expansionist of developers would not necessarily welcome a free-for-all. As Mr Simon Quinton Smith of Chancellors, the chartered surveyors, noted, the gaps between the towns are getting smaller.

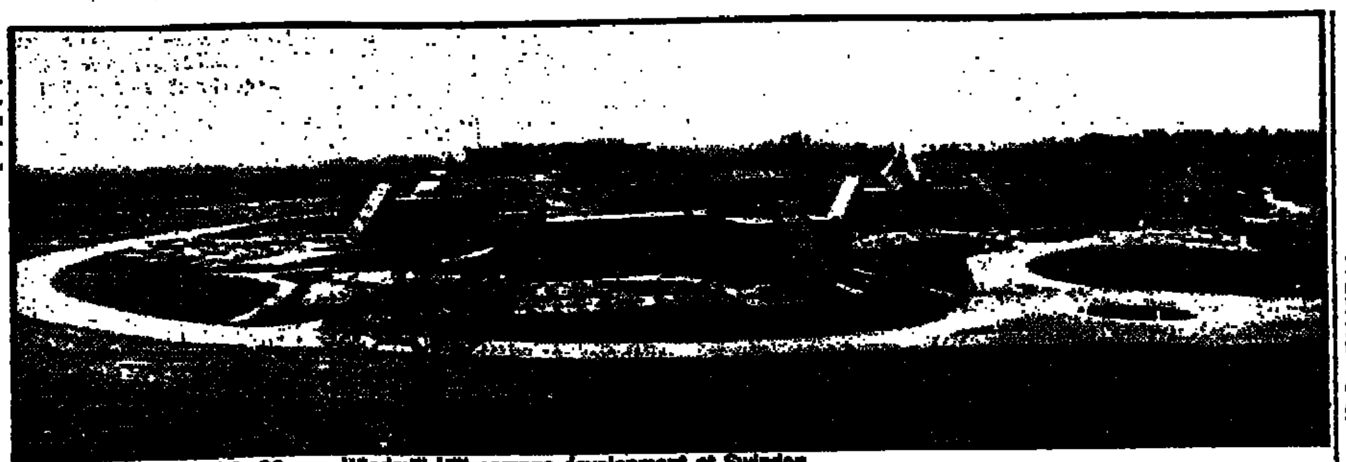
The answer to absorbing the pressure for development while keeping most of the countryside intact could be found in allotting for development the land around the motorway junctions. This is th solution advocated by Mr Mike Kirkwood of Savills, another firm of chartered surveyors active in the area.

"If you acknowledge that development potential was created by driving the motorway through countryside which was previously not accessible — surely it is better to concentrate development at noisy motorway junctions and so leave untouched the true green belt," he said.

The Berkshire authorities have recognised this to the extent that land has been allocated for development at Junctions 11 and 12, for example. But more will probably be needed to maintain the pace of expansion.

A further source of land could be the use of worked out gravel pits and played out mineral workings. ARC Properties has come forward with a long-term mixed development plan for just such land near Theale. In general though such land, according to Mr Paul Kentish of Savills, "is most suitable for some form of leisure activity."

Paul Cheeseright



St Martins Property's 80-acre Windmill Hill campus development at Swindon

Heathrow

Stockley adds some class

HEATHROW, home of Britain's No 1 airport, illustrates a number of pressures on the UK property development market, and on M4 locations in particular.

Local area specialist agents Rogers Chapman say that there has been curiously little development, to date, of high tech property—the high rent, flexible accommodation phenomenon which excited developers, and opened institutional investment coffers three or four years ago.

Their sums indicate 330,000 sq ft of existing high tech on the market in the locality, a fair proportion of that under offer, and 200,000 sq ft more proposed over the next 12 months. These totals certainly have been bypassed in slightly more distant locations.

However, they leave out Stockley Park, which could add up to 2.4m sq ft in three phases to the north of the airport. Maybe the thought is that Stockley will eventually be regarded as an addition to the area's office property supply, as and when changes to use class legislation are passed by parliament.

Meanwhile Mr Russell Meadows, a partner in Rogers Chapman, highlights the revival in "mid-tech—modern industrial buildings with a 25 to 30 per cent office content. In fashion terms, this form had been overtaken by high tech in the early and mid-1980s.

He says that occupiers in the early 1980s were attracted by the glamour and hype of high tech. Mid-tech could not compete in some practical aspects, like parking in the ratio of one space to 200 sq ft of accommodation; good mid-tech parking, typically, is one space to 450 sq ft at an absolute minimum, but this includes lorry parking and circulation areas as well as the space devoted to cars.

Now, says Mr Meadows, a lot of the companies which he deals with say that mid-tech is more flexible inside; and that high tech, typically built on two floors with the offices up and the "industrial" down, is not much help to companies which need ceiling heights of over 20 ft for storage purposes.

He calculates that mid-tech will rent for about £7.50 a foot against £10 to £12 for the high tech variety; and that ¼m sq ft is currently available with a large chunk under negotiation. Over the next 10, 12 to 15 months another 300,000 sq ft is "firmly" proposed, in no more than two or three developments.

Nobody has been building the standard shed, says Mr Meadows. So the second hand shed market is dynamic, with premiums on the assignment of leases. "We haven't been there for years," says Mr Meadows, noting that he can get rents of £5.50 to £6.50 a foot for industrial in this location.

In high tech, Rogers Chapman is marketing Clayform's Harlequin Centre at Heston, designed by noted high tech architect Ian King. The 81,000 sq ft development incorporates three buildings and seven units offering divisions of space down to 7,400 sq ft.

Joint letting agents with Matthews Goodman, the firm is quoting £10 a foot, and will also negotiate to sell the freeholds; a nice investment proposition since the A312 Hayes bypass a quarter of a mile from the site will arguably turn it from back-land development into a prime location.

Meanwhile, Stockley's potentially massive international business park adds class to an area which has a lot of nice aeroplanes, and some pretty mundane buildings.

Stuart Lipton, powerhouse property developer and a director of the company, admits frankly that the building has let more slowly than he had anticipated. However, with 350,000 sq ft of the first phase up, and names like Fujitsu, Marks & Spencer and Control Data either nailed down or strongly tipped as tenants, Mr Lipton is happy enough.

"By June we will probably have let 500,000 sq ft," he says. "That would be on target." Rents for Stockley Park have been raised to £14.50 on a gross basis, which might equate to £13 net against £12 for the top high tech and £16 for offices.

Those office rents, says Mr Meadows, are for the immediate Heathrow area and have increased from £13.50 to £14 a foot 12 months ago.

North of the airport, close to Junction 15 of the M4, his firm has just sold Globe House, a 10,500 sq ft office building, for the development partnership of Sheridan Estates and Heron Property. The buyer was Memorex which, says Mr Meadows, was originally willing to pay the £16.50 a foot which he was quoting for the building, but decided to go for the freehold instead.

The urban office centres are Hounslow, Uxbridge and Staines. Hounslow has a good underground link into central London and other good public transport facilities. But it is noisy, dirty and unprepossessing, say observers, and for a commercial centre the road infrastructure is not good. It is also a very densely-populated residential area.

But it does have big users, like Wang, Squibb Pharmaceuticals and International Harvester. Rents are around £15 a foot in the town; Lesser Land, says Rogers Chapman, is building a new office building of just over 100,000 sq ft to be called Trinity Court, and expecting well over £15 a foot for it.

Uxbridge can now be accessed with no difficulty with its M25 link between the M4 and M40. It has big new office buildings in Central Square, occupied by Hewlett Packard, and Charter Place, developed by Sun Alliance. Trafalgar House has another 164,000 develpment on the way in a location which has made rents of £14 to £15.50 a foot and is talking about £17.50, similar to central Hammersmith, for some new schemes.

Staines is probably a good combination for those who want both office accommodation, and good shopping. Beacontree Estates is busy there, with Barclays de Zoete Wedd as development partner, in the Pinetrees—a scheme which emphasises the company's support of high tech as a long-term development proposition.

The development incorporates four buildings, one office and three high tech. The office building is being quoted at £16.50 a foot, emphasising the perceived quality of the location, while the high tech is going for £11.50.

In conclusion Mr Meadows describes pockets of land in the Heathrow area, designated as green belt but surrounded by acres of concrete, as a "major absurdity." Neither is he happy with the operation of linear park, grasslands alongside the motorway preserved to prevent strip development and further desecration of the countryside.

He observes tha the first serves no practical purpose; and that the second would be admirable, but he feels that the authorities use it only on an ad hoc basis. That way lies confusion, and more and more planning appeals.

William Cochrane

Business parks poser

BUSINESS PARKS are vogue: so-called hi-tech buildings in a leafy environment, plenty of car parking, away from the aggravation of the big town.

Right down the M4, the developers are piling in, big and small alike, to provide them.

Institutions like Prudential Assurance with a £100m scheme at Reading are involved. The military establishment, through the Royal Military College of Science, is taking part in developing a business and science park at Shrivenham.

Taylor Woodrow is active on the outskirts of Swindon; Arlington Securities has bought land at Theale; Beazer Developments has just finished building at Theale; Sheridan Securities is constructing near Reading; Heron Hi-Tech has prepared buildings for the Thames Water Authority, also near Reading; and Slough Estates is active not only in Slough and near Heathrow but at the Winnersh Triangle near Reading.

In Swindon St Martin Property is developing as is LCP Properties, while the Imperial College of Science and Technology is making land available at Ascot.

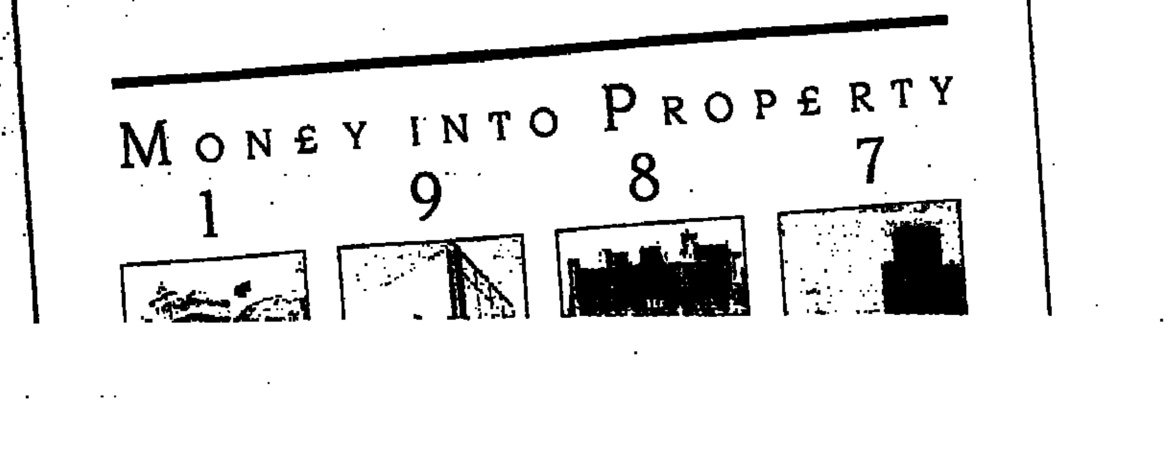
The question now is, to what extent, these types of development will affect the conventional town office market. And this is a question worth posing because of the expected changes in the Use Classes Order.

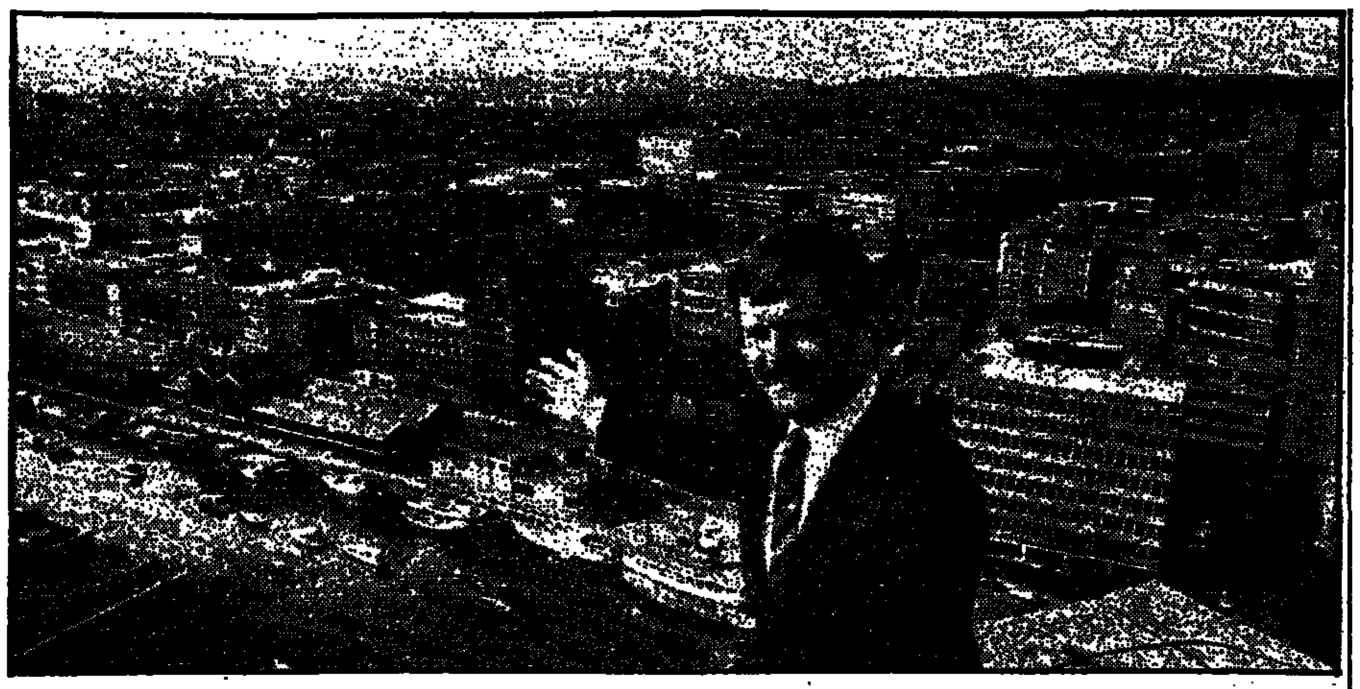
The changes will enable occupiers to use premises more freely, permitting, for example, research and development or office activity to take place in a light industrial building.

Developments in parks could go some way towards mopping up office demand which has been frustrated by the relatively low level of office development in town centres. Cairns Barefoot, the Swindon chartered surveyors, has noted a dramatic increase in inquiries.

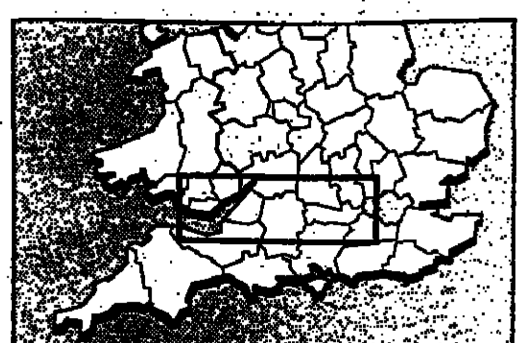
Office demand down the M4 though is not uniform. Jones Lang Wootton, Reading, with rents running up to £15 a square foot, the highest for any provincial centre, is the town with the greatest potential for rental growth. More generally, some specialists are predicting for the areas closer to London a renal increase over the next 18 months of up to 30 per cent.

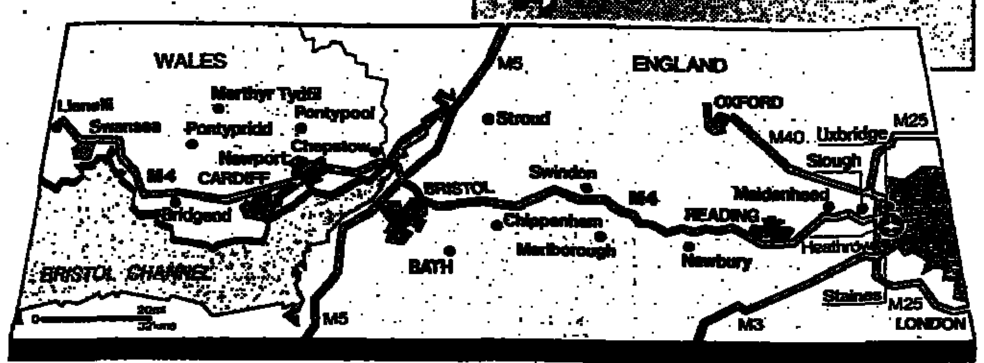
Paul Cheeseright





Left, Mr Mike Henry of Chesterton Lalonde: "Bristol still has a number of good development sites for new office buildings"





Bristol

Demand for blue chip offices

BRISTOL IS having to live with the consequences of success. Its pleasant environment, good housing, superb commercial position at the intersection of the M4 and M5 motorways and lively lifestyle have made it a very desirable place in which to live.

As a consequence it has attracted in recent years a number of blue chip incomers, Phoenix, Inmos, London Life among them. Now Lloyds Bank is moving a head office operation to the city.

Suddenly, the stock of offices, small factories and distribution units has almost dried up. Two or three years ago, following a building boom in the early 1980s, there was a surfeit of properties across the board: today, it is difficult to get a good one.

"Demand is very strong indeed," says Mr Jonathan Carey, a partner of J. P. Sturge. "So strong that fears are beginning to surface about a possible under-supply emerging."

His view was echoed by Mr Mike Henry, a partner in Chesterton Lalonde, who sees a very buoyant demand for a narrow range of supply. "There is a particularly strong demand for quality offices and distribution warehouses." Even in manufacturing he sees an improvement in the situation.

The worrying thing about the office market is that there are only two buildings available in the city at the moment over 50,000 sq ft. Spectrum House, in the centre, a Prudential development, has been on the market for about three years.

The developer has been looking for a single tenant but has recently decided to go for multiple occupation and recently let about 10,000 sq ft to Welbeck Finance.

The other building is the Lombard Centre in Bedminster, the former Imperial Group headquarters slightly outside the centre, which has been radically refurbished. The quality of this building is said to be "quite exceptional" and, being outside the centre, enjoys the luxury of some 200 car parking spaces. The centre occupies some 88,000 sq ft and a rent of over £6 a square foot is being asked compared with around £9.50 for Spectrum.

Rents in Bristol are now running sharply up as demand outstrips supply, especially for buildings with "modern" facilities, such as air conditioning and raised floors necessary for high-technology cables. The result is that rents are pushing £10 a square foot for existing buildings and probably over for new developments.

The problem is that there are not many of these coming through. The council is taking a strong line on new work. Mr Carey instances the problems Standard Life is having with its proposed Redcliffe Street development of some 80,000 sq ft. It has put up several schemes to the city but all have been turned down.

Several agents in the city believe there is a great danger that if the planning authority does not take a more sympathetic line towards developments further job-creating schemes could be endangered.

Demand for offices under 50,000 sq ft is particularly strong, especially from professional firms, many of them local. The solicitors and architects and others appear to like properties in the 15,000-20,000 sq ft range and here again the problem is matching the building to the client.

Fortunately, there are new schemes in the pipeline which should be ready in about 15-18 months' time. This, says Mr Henry, should ease the situation.

Rental growth since 1980 for prime accommodation, according to Mr Carey, has been higher than in any other provincial city and he sees that rate of growth continuing. Since 1969 rental growth has been approximately 12 per cent a year, though he admits that 1969 was a low base.

Even so, rents now offer an attractive return on bringing properties built in the late 1950s and early 1960s up to date.

On the industrial property side, Mr Henry sees strong demand. "We notice that people particularly want quality buildings," he says, reflecting in this sector what is apparent in the office field.

The motorway intersections to the north of Bristol are particularly important for the distribution industry and the Aztec West development, although originally designed for high-tech manufacturing has attracted a number of distributors.

It is not just rented space that is wanted, Mr Henry believes. "Freeholds are becoming increasingly popular and there is a shortage of good freehold buildings available, especially those with main-road frontages."

Aztec West was developed by Electricity Supply Nominees, one of the few institutions which have shown an interest in the area. Despite the fact that speculative warehouse-distribution units have been very popular, and have brought record rent levels of around £4-£5 a sq ft, it has still been difficult interesting other institutions.

But if the impression remains one of over-supply, the city of Bristol is a fast-moving market. According to the Sturge report there is probaby "only six months' supply in the key sectors."

Anthony Moreton

Cardiff

Quality in short supply

INDUSTRIAL SOUTH Wales is commonly thought to be in the economic doldrums but, according to Mr Roger Thomas, of Cooke and Arkwright, there has been a big pick-up in inquiries in the past six months.

"The change has been dramatic. There is more confidence around and deals that even a year ago would have taken some time to complete are being done quickly now."

His optimism is shared by Mr Phil Head, commercial director of the Welsh Development Agency. "There is good demand for property and some quite substantial rents are being achieved."

Neither is yet convinced that the upturn in the Welsh economy is responsible for the better tone. But it is clear there has been a substantial change in mood along the M4, from the Severn Bridge to Bridgend. Further west, too, in Swansea demand is also buoyant.

The main factor appears to be the shortage of good new properties. After the steel closures of the early 1980s and the subsequent crash programme of advances factory building by the WDA there was a surplus of properties available. Those factories have now been absorbed and the market is short of good properties.

The change has also led to a resurgence in demand for the older, leasehold factories. "For example, in the spring of last year we had a 24,000 sq ft property in a good northern suburb of Cardiff that was something of a nightmare to us. Now, even that is going," explains Mr Thomas.

Mr Head sees the confident mood for industrial properties spreading out beyond Cardiff. "We seem to have overcome the psychological barrier of the outer-Cardiff ring. Llantrisant, which was once slow moving, is now going well and Treforest, about six miles to the north of the city, is no longer looked upon as a valleys site.

"Not that all the valleys are difficult to move now. Merthyr is full and and we would like more properties there," he adds.

It is in the office sector that the bigger problems exist. "The market for properties built 25 years ago is poor," Mr Thomas says, "Indeed, there are some that need pulling down."

On the other hand, "Fitzalan Court, completed last year, is all but full at £7 a sq ft. The top prices are rising and have reached £7.50-£8."

Cardiff's surplus office space stems to a considerable extent from the building of a new Welsh Office, opened in 1981, which released a lot of older buildings around the city that until then had housed civil servants.

This situation will be repeated next year when a new administrative headquarters for South Glamorgan County Council opens its doors in the redeveloping docklands, leading to the relocation of local government personnel.

By the end of 1988 some 175,000 sq ft from this source will come on the market, all of it second-grade. Taken with the existing stock of short leasehold properties that are coming towards reviews the situation in this sector is discouraging.

"The trouble is that much of this market needs great improvements," Mr Thomas says. "These buildings were not put up with the modern computer-based office in mind and so are inadequate by today's standards. They have no air-conditioning and highly restricted car-parking. Some have just one space available for each tenant."

Where older offices have been refurbished there is an active market at around £5 a sq ft. But much of the big stock of county council property coming onto the market is not in good shape and will undoubtedly become a drag on the market. "I simply do not know what you can do with older stuff like this," Mr Thomas says, "The only practicable answer is to pull much of it down and build afresh. But that is hardly likely to happen. This country builds places to last for ever. You sign leases for ever. But you can't now see more than 5-10 years ahead. It is a difficult equation."

Beyond 1988 there is the massive redevelopment of Cardiff's docklands being undertaken by a newly-established urban development corporation. That work, covering some 2,500 acres, will also add a mix of new manufacturing and office premises.

The aim is to produce a superb modern waterside city with a lot of new buildings. It must also, if it is to succeed, attract in financial institutions.

The institutions will back any amount of retailing but they have fought shy so far of becoming involved in the manufacturing or office sectors. One of the great hopes of the Cardiff Bay scheme is that it will bring the institutions into the city. The spin-off could be as important as it already has been in Bristol.

A.M.

Shampoo Valley

The Welsh Development Agency has undertaken a considerable amount of building in the Bridgend area alongside the motorway and has been highly successful in attracting new concerns to the site. In particular, it has drawn in a number of companies in the hair-care and beauty preparations sector to the point where some locals now call this part of the motorway lipstick corner and other shampoo valley.

Most activity, though, has concentrated on Swansea, the second city of Wales.

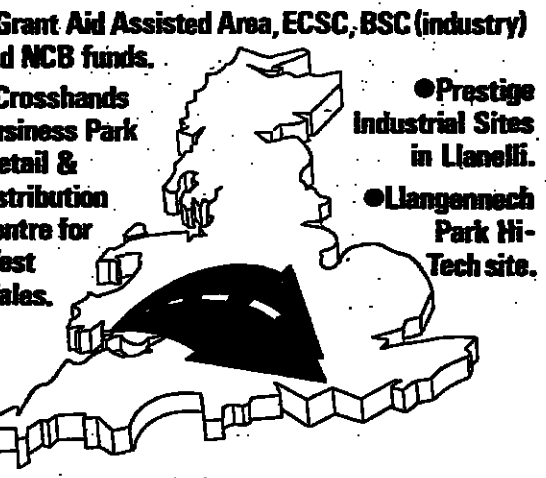
In the centre, there have been retail schemes such as the Quadrant Shopping Centre and, more recently, the St David's Centre while a lot has been done to upgrade the waterfront through the Maritime Quarter.

The other major concentration is on the Enterprise Park which is Swansea's name for its enterprise zone. This is the largest in the country—775 acres—and is virtually all in the ownership of the council.

Still further west, almost at the end of the M4, Llanelli has a 98-acre site in the Trostre Industrial Park, which contains 24 units ranging from 780 sq ft to 5,00 sq ft, and the 60-acre second phase is soon to be developed as a retail park.

Alongside the A48 the Cross Hands Business Park is being developed as a retail and distribution centre to cater for West Wales. The area covers some 160 acres while another 20-acre site is available at the Pembrey industrial estate.

A.M.



INTERNATIONAL COMPANIES and FINANCE

David Gardner looks at Mexico's controversial bank privatisation programme

Pricing and politics spice Mexican sell-off

THE MANNER in which the Mexican Government has redeemed its four-year-old pledge to sell off minority stakes in the nationalised banks has sparked controversy and confusion through its mixing of pork-barrel patronage and polished financial technique.

The country's three major commercial banks — Bancomer, Banamex, and Banca Serfini — have now issued new stock equivalent to 34 per cent of their paid-in capital, and three smaller banks, Cremi, Confia, and Banco del Centro, led off for the second division last week.

The principal causes of the controversy are the enormous discounts offered on the shares and the pre-selling of virtually all the stock to bank executives and employees, and to lists of clients which the evidence that has so far emerged suggests were chosen as much on political as banking criteria.

Banamex and Bancomer, which each account for roughly a quarter of the commercial banking system's assets, issued their shares, known as Certificados de Aportacion Patrimonial, or CAPs, on February 6, at Pesos 11,000 ($11.04 at the exchange rate of the day) and Pesos 24,000 respectively.

In the first five days of trading, Banamex CAPs rose 244 per cent and Bancomer's appreciated 150 per cent. Two months later, their respective prices stand at Pesos 54,600 ($48.28 at April 6 exchange rate) and Pesos 78,600—increases of 396 and 228 per cent.

Mr Gustavo Petricioli, Mexico's Finance Minister, describes market response as "an extraordinary success . . . and show of confidence in the (state's) management of the banking system." The opposition, particularly of the Left, regards the sell-off as a major scandal.

The centre-left La Jornada, Mexico's most independent daily and the only one to grasp immediately what was going on, for example, argued that the sale has severely compromised President Miguel de la Madrid's pledge to clean up corruption through the Government's already badly discredited "moral renewal" campaign. El Financiro, Mexico's financial daily, called the sale "one of the most speculative operations in the financial history of the country."

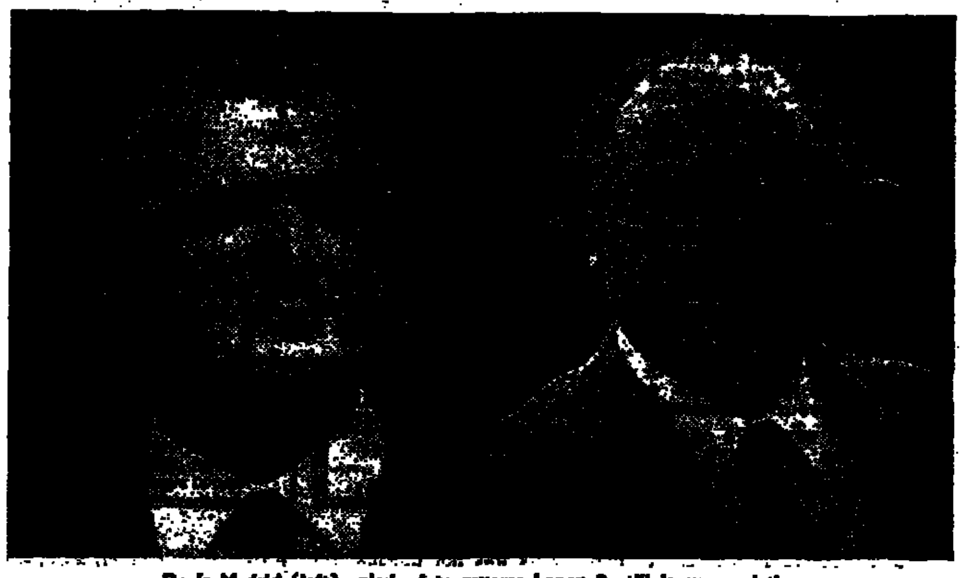
The Banamex and Bancomer shares were by any yardstick excessively underpriced, issued at an historic price/earnings ratio of about 1.5, and an effective price to net worth ratio of 39 per cent. This contrasts with an average on Mexico City's booming stock exchange of about eight times historic earnings in February and a multiple of around 16 now.

Mr Petricioli argues that "we could not take the slightest risk of the issues being rejected." This point needs little elaboration for Mexico's knee-jerky private sector, still smarting from former President Jose Lopez Portillo's surprise expropriation of the private banks in September 1982, at the height of the country's financial crisis.

His successor, Mr de la Madrid, defied left-wing nationalist opinion in and outside the ruling Institutional Revolutionary Party (PRI) by embarking almost immediately on a drive to win back business confidence through partial privatisation of the banks.

First, in 1984, he sold off bank holdings in 339 companies, including financial services companies like stockbrokerages and insurance houses, allowing former bank shareholders to purchase them with indemnity bonds issued in compensation for the takeover. The financial companies quickly became the core of what is de facto a parallel banking system. This now holds nearly a quarter of national savings (a threefold increase on 1982) and competes on advantageous terms with the state banks.

The banks have high fixed costs, their main business (over 90 per cent) is financing government borrowing, and the most lucrative areas of the market have been turned over to former bankers (Mr Petricioli took this a stage further recently by announcing plans to sell off Banco Somex's stockbrokerage, the only one retained by the state).



De la Madrid (left)—pledged to reverse Lopez Portillo's expropriation

The former bank owners were the best placed to realise this and up until the February issues had shown not the slightest interest in taking minority shareholdings in their reduced former fiefdoms.

Mr Alejandro Palma, the Banamex executive who put together the scheme, points out that in addition to its being extremely complex to price a novel instrument going on to a notoriously volatile market, they had the added complication of having to fix the level two months in advance in order to get through a bureaucracy including the Treasury, the central bank and the Securities and Banking Commissions. "We didn't figure it would rise that much that quickly," he says.

Mr Palma adds that Nafinsa, the state development bank, which has long experience of playing a regulating role in the stock market, tried to unload packages of blue chip shares on March 3 — when the exchange took a nosedive — and failed because it had overpriced.

Secondly, he underlines that both the big banks issued two convertible bonds for each CAP. These bonds—issued at a discount rather than a premium—are redeemable on pre-set dates beginning on May 6, at market price minus 25 per cent. This means that though the bonds are still attractive for investors, they will also seed a bigger capital expansion than appears at first sight.

Serafin, which is half the size of its two large colleagues, made its issue on March 16 with the benefit of hindsight, and priced it higher at twice 1986 net earnings or a price to net worth ratio of 56 per cent.

Not trusting a market which many analysts are predicting will slump, it eschewed bonds and issued CAPs only. The smattering of shares to come on the market raised the price a mere 135 per cent in the first two days of trading, and Serfin has kept them at around that level by releasing more shares when the price threatened to rise significantly.

But though Serfin's more careful pricing appears designed to avoid the brickbats aimed at its larger colleagues, the real heat is being generated by the methods of allocation.

The decision to reward employee loyalty—using a mechanism which existed pre-1982—is unexceptionable. Bank workers have taken sharp cuts in real earnings (against very attractive remuneration in the parallel financial sector) yet have kept the banking sector dispute-free since nationalisation. It would be bad political management by the PRI not to reward them.

But a less visible political advantage would seem to acrue from the allocation of the major portion of the stock to favoured clients. For obvious reasons banks decline to reveal names, while reserving the absolute discretionary right to decade who their best clients are.

But senior bank executives spent several months touring the provinces pre-selling the stock, at least some of which, market analysts say, went as sweeteners to exactly the sort of right-wing, North Mexican businessmen who have been bankrolling the vigorous challenge to the PRI mounted by the right-wing National Action Party (PAN) since the 1982 crisis. The northern private sector was particularly hostile to the expropriation of the private banks through which, many believed, the Government attempted to shift the blame for the 1982 financial crisis.

Senior bankers also confirm that selected journalists have been given CAPs—a more sophisticated version of the "embute" or money-filled envelope which all government offices except the Bank of Mexico and the Foreign Ministry give most Mexican journalists who cover them.

In Mexican business circles the share issues are seen as either a wheeze or an outrage—a difference in opinion determined, it would appear, by whether or not the person in question received an allocation. Public sector unions being denied an emergency 23 per cent wage increase have described the issues in full-page advertisements as "obscene speculation." They appear unimpressed by double-page advertisements taken out by some banks explaining the mysteries of subordinated convertible bonds. Like the recipients of the CAPs, they are only looking closely at the bottom line.

London & Scottish banks' balances

as at March 31 1987

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	Total outstanding £m	Change on month £m	Change on month £m
LIABILITIES				
Sterling deposits:				
UK monetary sector	23,576		+1,055	
UK private sector	109,587		+4,721	
UK public sector	3,598		+ 502	
Overseas residents	15,382		+ 644	
Certificates of deposit	9,718		+ 574	
		166,691		+7,495
of which: Sight		73,722		+6,009
Time (inc. CDs)		92,969		+1,486
Foreign currency deposits:				
UK monetary sector	19,199		− 389	
Other UK residents	8,252		+ 326	
Overseas residents	44,139		−1,998	
Certificates of deposit	5,433		+ 29	
		77,022		−2,012
Total deposits		243,713		+5,483
Notes in circulation		958		+ 11
Other liabilities*		43,718		+2,090
TOTAL LIABILITIES		288,387		+7,583
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	493		0	
Other balances	2,460		+ 340	
		2,953		+ 340
Market loans:				
Discount houses	4,333		+ 18	
Other UK monetary sector	28,564		+1,088	
UK monetary sector CDs	4,586		+ 118	
Local authorities	1,277		− 18	
Other	5,837		+ 338	
		45,699		+2,048
Bills:				
Treasury bills	339		+ 80	
Other bills	3,602		− 275	
		3,941		− 195
Investments:				
British Government stocks	6,520		+ 438	
Other	5,297		+ 125	
		11,818		+ 564
Advances:				
UK private sector	108,665		+2,502	
UK public sector	336		− 29	
Overseas residents	5,447		+ 852	
		114,449		+4,325
Other sterling assets*		18,438		+2,630
Foreign currencies				
Market loans:				
UK monetary sector	18,515		− 896	
Certificates of deposit	466		− 6	
Other	35,705		−1,865	
		54,686		−2,766
Bills		336		− 6
Advances:				
UK private sector	9,139		+1,314	
UK public sector	789		− 21	
Overseas residents	16,544		− 461	
		26,472		+ 832
Other foreign currency assets*		9,585		− 212
TOTAL ASSETS		288,387		+7,583
Acceptances		4,994		−1,778
Eligible liabilities		123,601		+5,606

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Westmnstr. £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
LIABILITIES OUTSTANDING									
Sterling deposits	166,691	6,452	37,035	25,665	26,733	45,949	10,116	3,807	10,943
Change on month	+7,495	+14	+2,211	+538	+1,144	+2,989	+857	+169	+483
Foreign currency deposits	77,022	1,127	15,019	9,239	15,609	23,065	3,857	8,801	155
Change on month	−2,012	−245	−281	−532	−264	−804	−290	+161	+43
Total deposits	243,713	7,579	52,054	34,904	42,342	69,005	13,973	12,608	11,098
Change on month	+5,483	−231	+1,929	+6	+880	+1,476	+567	+330	+525
STERLING ASSETS OUTSTANDING									
Cash and balances with the Bank of England	2,953	335	532	254	489	582	621	12	136
Change on month	+340	−23	+161	+48	−90	+193	+138	+1	+1
Market loans—UK monetary sector	32,947	1,018	6,325	4,121	4,648	12,303	1,606	895	1,981
Change on month	+1,106	+18	+27	−76	−89	+779	+514	−68	+2
Other	11,712	114	2,760	1,702	1,165	3,351	475	372	1,772
Change on month	+935	−32	+495	+113	+106	+7	+78	+183	+67
Bills	3,941	104	1,296	830	114	798	281	61	338
Change on month	−195	−44	+157	−209	+12	−256	−21	0	+106
British Government stocks	6,520	280	1,021	610	1,351	759	230	300	2,031
Change on month	+438	+46	+129	+22	+267	−175	+13	+16	+101
Advances	114,449	5,335	26,822	15,105	19,292	28,865	7,697	2,774	5,539
Change on month	+4,325	−33	+1,894	+545	+903	+1,100	+132	+54	+79
FOREIGN CURRENCY ASSETS OUTSTANDING									
Market loans and bills	55,023	443	10,998	7,605	9,111	18,051	2,425	6,375	111
Change on month	−2,773	−213	−542	−377	−328	−562	−751	−55	+55
Advances	26,472	843	3,967	3,365	6,736	6,277	1,690	3,441	72
Change on month	+832	−33	+44	−108	−94	+380	+430	+198	+14
ACCEPTANCES OUTSTANDING	4,994	238	1,076	232	1,234	1,207	497	296	114
Change on month	−1,778	+5	−888	−123	−477	−50	−34	−121	−90
ELIGIBLE LIABILITIES OUTSTANDING	123,601	5,267	28,358	19,823	20,998	30,069	7,727	2,798	8,430
Change on month	+5,606	−11	+2,006	+543	+1,128	+1,159	+187	+259	+464

Stefan Wagstyl on the Perth entrepreneur's latest investment gambit

Bond builds strong position in gold

MR ALAN BOND, the Perth entrepreneur, always knows the price of gold.

Between buying television stations, hotels and breweries, as well as racing yachts, he has found time to build one of the largest gold mining groups in Australia.

In a series of acquisitions, mergers and disposals, he has set up a strong position for himself in an industry which is undergoinng a spectacular revival.

Mr Bond says: "Gold mining in Western Australia has got very long life prospects. It's obvious that the old timers must have left very substantial resources behind."

He is in the midst of bringing most of his gold mining interests into one listed company, North Kalgurli Mines, which is valued at more than A$600m (US$426.9m) on the stock market and is controlled by his private master company, Dallhold Investments.

North Kalgurli is close to completing the acquisition of another Bond group gold company, Windsor Resources. It recently announced plans to buy the gold assets of a third Bond mining company, Metals Exploration, and speculation is rife that it might go for a fourth—Endeavour Resources.

Mr Bond's corporate moves show how an aggressive company can grow very quickly in what is a fragmented industry. The point is that exploration companies can compete effectively if they are small—they just need to find the right ground. But when they become producers there are great advantages to be gained from merging to share plant and offices.

Mr Bond is one of a number of predators looking to rationalise control of the industry. Mr Bond says: "I think we are leading that charge really. . . . We will pick up small shows as they run into trouble."

Mr Bond first invested in the mining industry 30 years ago, exploring for copper in the Kimberley mountains in north Western Australia. Ventures in iron ore, diamonds, emeralds, and nickel followed.

His efforts in nickel exploration in the early 1970s came to the same sudden end as those of other prospectors when the Australian nickel boom collapsed.

However, an investment in Argyle, which later became the world's biggest diamond mine in Western Australia, paid off handsomely. It was a shrewd deal made at a time when others were ready to scrap the project. Mr Bond's flamboyant wife Eileen celebrated its success by wearing Argyle diamonds. "Why not," she was quoted as saying, "Alan owns the mine." (Not quite — he owned 5 per cent).

The Argyle stake was sold in 1983 for A$42m to help reduce debt. This was not unusual for Mr Bond — his entrepreneurial career has been marked by occasional cash shortages which *he has always managed to survive.*

But by then Mr Bond's attention in mining was firmly fixed on gold. He says that with his experience in iron ore, he was among the first to appreciate the possibilities of mining low-grade deposits left behind *by earlier generations of miners*, by using large-scale modern open-pit methods.

However, analysts in Perth say that it was not expertise in mining that distinguished Mr Bond but an "uncanny ability to pick a trend." One says: "He got into gold when it was cheap to get in. He is not a specialist in anything except money."

The group's gold interests were bought in a sporadic series of acquisitions. In order to make his funds go as far as possible, Mr Bond typically built up stakes of 20 to 30 per cent in a target company, sometimes following up later with an outright bid.

The crucial move was the acquisition in 1985 of control of Metals Exploration, a nickel and gold company, which in turn controlled North Kalgurli Mines. North Kalgurli's mine asset was the Fimiston mine on Kalgoorlie's Golden Mile, where the greatest riches of 1890s gold rush were found. This was followed by the acquisition *early last year* by North Kalgurli of the Paringa mine next door to Fimiston.

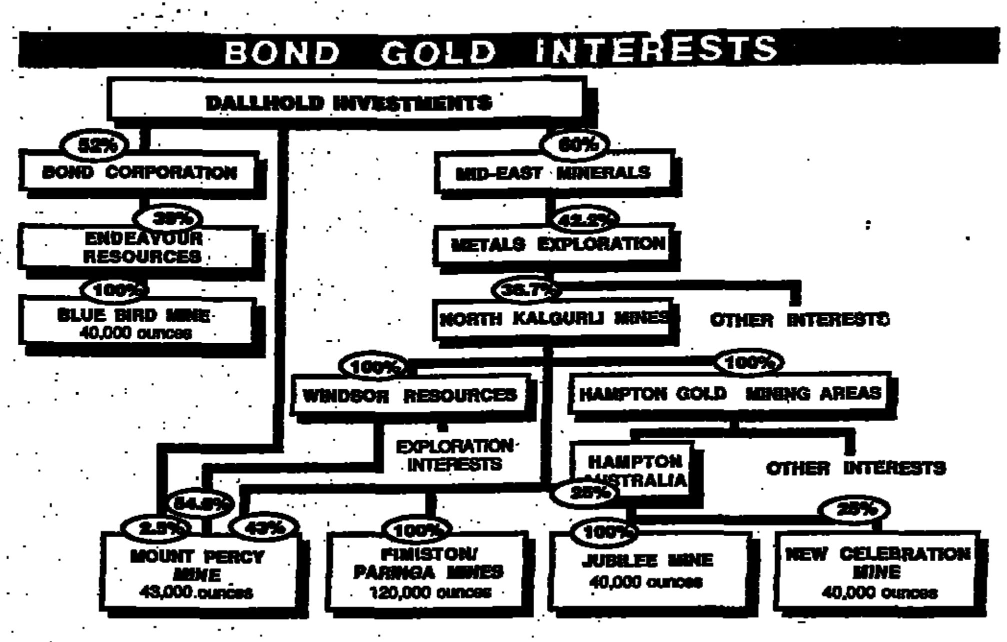
After raising A$164m in two rights issues last year, North Kalgurli bid for Windsor Resources in January 1987. If this is completed as expected, North Kalgurli will take its stake in another Kalgoorlie property, Mount Percy, from 43 per cent to 97.5 per cent. Dallhold Investments has the remaining 2.5 per cent.

Meanwhile, Metals Exploration last year successfully fought a contested bid for the UK-based Hampton Gold Mining Areas, which controlled Hampton Australia, a company with a interest in Jubilee (100 per cent) and New Celebration (25 per cent), two mines south of Kalgoorlie. Earlier this month, Mr Bond announced plans to move these gold assets into North Kalgurli, leaving Metals Exploration with some unpromising nickel interests.

The group has gold interests beyond the Kalgoorlie region — several hundred miles away Endeavour Resources runs the 40,000-ounce-a-year Blue Bird mine in the Murchison Goldfields. Further afield, Mr Bond is negotiating to buy Atlas Mining in the Philippines and has plans to invest in North America.

But North Kalgurli is the *centrepiece*. *Mr Bond says* the company should be producing at a rate of 220,000 oz gold a year by June 1987, and 300,000 oz a year by mid-1988. The plan is to reach 500,000 oz a year, much of it coming from the proposed "Big Pit," an open-pit mine up to five miles *long* on the *Golden Mile* properties. The company also has high hopes for its exploration programme on the extensive prospects in the Kalgoorlie region brought together by the acquisitions.

Mr Bond has no worries about the future of gold. The current instability in international trade relations and in financial markets means stability in the gold industry, he says.



TECHNOLOGY

Why there are fewer road works in Cork

Terry Dodsworth, Industrial Editor, explains how the city has mapped out a more efficient utility management system

WHEN A gas pipe repairman starts to dig up a road in most cities in Britain, he will probably have only an approximate idea of where the electricity mains supply runs, or if there are telephone cables nearby. In many cases, he will also be working with a map that is not entirely up to date, and he could arrive on site to find that the local authority has embarked on major road works without his knowledge.

These are the sort of problems which the UK arm of Intergraph, the US computer graphics group, set out to solve recently in the city of Cork in Southern Ireland. Its answer is a computerised database and mapping system which aims to plot the location and precise details of every pipe and cable laid under the ground by the city's main utilities — along with the latest map configurations provided by the Ordnance Survey and details of the city corporation's road and services networks.

Intergraph believes that this system has significantly extended the application of digital mapping in the management of utility services. The company has already applied its mapping techniques to a number of individual utilities in Britain, building up a database for them, and constructing maps of their services networks that can be displayed on screens. But the Cork system will allow all of the partners to combine their information and thus co-ordinate their activities.

In future, for example, it will be possible for the electricity supply board engineers to bring up a sector of Cork on the company's screen, complete with a graphic display of its own cabling network.

The engineers can then superimpose on this picture the diagram of the gas company's pipes; and on top of that, they can put Telecom Eireann's telephone lines, and the location of the city corporation's water mains and sewage drains.

The advantage of this computerised system fall into two categories. First, there are the benefits which should flow from co-ordinating information from the different utilities and the local authority.

Traditionally, there is little requirement on these separate organisations to liaise with any of the others. Local authorities have to be told when a pipeline is going to be dug up, and other utilities are usually consulted. But if a project is urgent, there may be no consultation at all, with the result that repairmen may arrive at the scene of the project with little information about what is underground.

Using the graphic system, however, engineers will be able to print up a precise, colour-coded map of the area they will be excavating, delineating both the lines of their own company and those of the other utilities. They will also be able to see if there is any similar work planned by these sister organisations, because the mapping system is equally capable of showing where repair or construction work is in progress.

In addition, Mr Leo Corcoran, the senior operating engineer at Cork Gas, and the main architect of the new scheme, believes that the system will generate much improved work planning among the utilities. The data-sharing arrangements, he argues, should lead to greatly-reduced duplication in the excavation of roads— currently a costly item for utilities, which have to pay the local authority every time they dig up a street.

The second advantage of the new system is that it should yield internal benefits to each of the utilities in keeping and maintaining its records. These potential improvements include:

● The management of databases. Standard information will now be fed into each utility's computerised database, which is much easier to manipulate than the existing system of paper or card files. The computer, for example, could tell the corporation how many lamp posts it had installed in 1976; or it could give the user a complete life history of a particular lamp post.

● Planning and re-designing the network. The new system will lead naturally to computer-aided design for the networks. Design techniques using paper drawings put together from card indexes will probably become a thing of the past, and Mr Corcoran believes that it will be possible to speed up planning enormously by using an integrated computer system in which the information needed by the engineers arrives in a digital form.

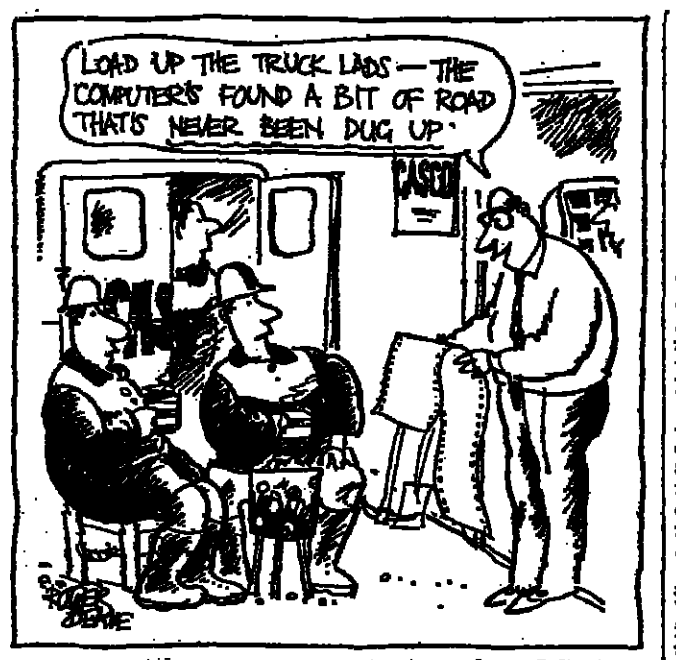
● Repair and maintenance work. In future, engineers carrying out repair work ought to be assured of more up-to-date maps than under traditional methods. To extract a description of their work requirements, all they have to do is run off a copy of a piece of the computerised map. This is likely to be more accurate than the maps currently used by utility repair teams, because these are copied from paper master plans which tend to decay over time.

In due course, Mr Corcoran believes that the system being introduced in Cork will find widespread acceptance elsewhere. It is too early as yet, he says, to know what savings the scheme will generate. But he believes they should be substantial in terms of continuing productivity improvements, along with the less tangible gains which could be achieved from co-ordinating future maintenance.

In addition, there will be savings on the capital account from using one integrated computer system for all of the utilities rather than a number of separate data processors. "We are saving £1m in hardware by doing this together," he says.

The main problem in extending the co-operative principle elsewhere may be as much political as technical. Cork, with a population of 135,000, is a clearly delineated area with obvious interests for the utilities in working together. But elsewhere, the geographical area of utility interests often overlaps, and relations between the organisations may not be as smooth as in Cork.

Indeed, the ability of politics to influence development has recently been shown in Dublin, where the Government is now actively trying to bring the utilities together in a similar scheme. The spur there was utility activity in one of the streets directly outside Parliament. In one year, the road is said to have come up 58 times, enough to convince the legislators that something ought to be done.



Where Swedish science meets commercial reality

BY SARA WEBB IN STOCKHOLM

THE image of a science boffin dedicated to research and with absolutely no notion of its practical and commercial applications is not one which bothers Dr Gunnar Skogman.

For he is managing director of Syn-tek, a small Swedish company founded and owned by a group of biotechnology researchers who had the idea of offering to develop basic research ideas along commercial lines for other companies.

The 12 founder-owners are attached to the universities of Umea, Lund, and Gothenburg in Sweden, where they work in the fields of carbohydrate chemistry, genetic engineering and cell biology.

At the same time, they act as consultants for Syn-tek, injecting ideas into the company, where about 20 other researchers work on developing practical uses for the research. "It helps to avoid some of the conflict *arising in universities,* where the emphasis is on pure research rather than the commercial applications," says Dr Skogman.

After two-and-a-half years, and a clutch of small contracts in the diagnostics field, the approach appears to have paid off. Astra, the Swedish pharmaceutical group, has decided to adopt something of a "sugar-daddy" role in Syn-tek. Through a new share issue, it is taking a 25 per cent stake in the company, which last year had a turnover of about *SKr 10m* (£970,000). And it has agreed to work with Syn-tek in the development of new drugs.

While Syn-tek carries out the basic research, Astra will pay for pre-clinical research in the *development of drugs which it* hopes will help it to compete with its Swedish pharmaceuticals and biotechnology rival, Pharmacia. "It gives us a right to commercialise Syn-tek's ideas in the pharmaceutical field," *says Astra.*

Swedish drugs companies feel hampered to a certain extent by the country's shortage of researchers in the fields of genetics and molecular biology. Chiefly for this reason, Pharmacia recently chose to set up its genetic engineering unit in California, while Astra saw great potential in appealing to Indian scientists, who had trained in the West, to join its new research centre in Bangalore.

The liaison with Syn-tek helps to strengthen Astra's research base in Sweden. "It is rather unusual here for academic researchers to form a company like Syn-tek," says Mr Staffan Ternby of Astra. Usually the pharmaceuticals *companies employ "adjunct* professors" who are paid by the company but who spend part of their time teaching at universities and maintaining links with researchers.

In Syn-tek's case, Astra has its eye on two projects which could be important in the development of new drugs.

The first is to develop the human enzyme known as extra-cellular superoxide dismutase (ESD) for possible use in limiting the extent of tissue damage which results from a heart attack or from inflammatory conditions such as rheumatism.

Syn-tek has been working on modern cloning techniques to mass produce the enzyme and Astra hopes to start testing within a year. "It is at a very *early stage and we do not know* what effect this will have," says Mr Ternby.

The other main area of interest concerns research into cell surfaces and in particular, how bacteria or viruses interact *with chemical receptors* on the cell surface.

Research here could help in the development of "fake receptors" which could bind with the invading bacteria more effectively than the real receptors and so block entry into the cell.

WORTH WATCHING

Edited by Geoffrey Charlish

Tools get power to go anywhere

DRIFTGATE, of Aylesbury, UK, is offering a kit which allows the engine power of a car or truck to be converted into DC power at 110 or 240 volts. This means power tools and welding plant can be operated at work sites where no mains power is available. The kit uses a specially wound alternator that is substituted for the vehicle's conventional unit, leaving the normal electrical system unaffected. Also supplied is a controller, which, on site, cuts in to bypass the battery and utilise the engine power direct to provide up to 2,500 watts continuously. The kit costs £475.

Management data is on the move

A NEW UK company, Portable Data Communications, is offering a portable radio data communications system, the PDC25, aimed at executives on the move and with no access to mains electricity or telephone line connections. The unit enables a personal computer to be used exactly as it would in the office or at home—with access to remote databases and corporate computers.

Working with Racal, the UK electronics group, Portable Data has built a cellular radio and a data modem (data send/receive device) into a single battery-operated unit that can be plugged into any portable computer having a serial data connection (RS232) and appropriate software.

Expert approach to industrial safety

W. S. ATKINS Engineering Sciences, the UK consultancy, is taking part in a project that proposes to apply an expert systems approach to the problem of analysing safety risks in large industrial projects. Expert systems seek to capture human knowledge for use by a computer.

Part of Eureka, the pan-European technology research programme, the project is called Fiabex, a combination of the English word "expert" and the French "fiabilite" (which means "reliability").

The demand for Fiabex arises from the time and difficulty involved in assessing the risks presented in operating chemical, pharmaceutical, manufacturing, nuclear, oil, gas, aerospace and other large-scale plants. The disasters at Chernobyl and Bhopal have highlighted the need for improved safety analysis.

W. S. Atkins and other consultancies in France, Italy and Spain will seek to computerise certain aspects of safety and reliability analysis in order to make it quicker and of higher quality. At the moment, such work is extremely time consuming and tedious and mistakes can be made in spite of the care taken. This alone can generate resistance to even making a start, regardless of the obvious long-term benefits.

W. S. Atkins is asking sponsors from a range of industries to participate in the development of specific applications of Fiabex. The cost to each sponsor is likely to be between £20,000 to £90,000.

Spy in the engine will tell of wear

AB CONTROLS and Technology of Sheffield, UK, has a sensor which, installed in lubrication circuits, can detect abnormal wear in engine parts. A sufficient deposit of metal wear particles on a special grid completes an electrical circuit to sound an alarm. Maintenance is then possible before engine failure.

CONTACTS: Driftgate: UK, 0296 87884. Portable Data Communications: UK, 0278 691090. W. S. Atkins: UK, 03727 26140. A. B. Controls and Technology: UK, 0742 442424.

Obituaries

MERCANTILE & GENERAL REINSURANCE CO. PLC

It is with the deepest regret that Mercantile & General Reinsurance announce the sudden death of Philip S. Flint on the 10th April.
Philip Flint joined the M & G in August 1947 and intended to retire in August this year after 40 years service. In recent years he had been manager responsible for our general business connection in Skandinavia and Central Europe.
The funeral takes place at 1 pm, Tuesday 28th April at St Giles Church, Cripplegate.

THE PROPERTY MARKET By PAUL CHEESERIGHT

Changing the shopping pattern in Gateshead

THE MetroCentre at Gateshead indulges the taste for rhetoric. Claim Number One: "It's probably the finest shopping complex in the world today." Claim Number Two: "it's wilderness shopping." Claim Number Three: "at the end of the day, MetroCentre is all about people." Claim Number Four: "it'll be a white elephant in six years."

One and Three come from the sponsors. Two and Four come from cynical bystanders. But, at any rate, just south of the Tyne, it is there, a factor in any north-eastern economic revival, an influence on shopping patterns in the whole of the region and a case study for a wider argument up and down the country.

This argument is whether the country can at the same time permit developers and retailers to establish major shopping centres out of town and at the same time regenerate decaying city centres.

The Newcastle City Council feared the prospect of MetroCentre and opposed it. Now it has learnt to live with it. "Most Newcastle people wish to see the MetroCentre successful. It's complementary to Newcastle shopping—not a threat," said Tommy Marr, chairman of the City Council. "It's acted as a catalyst for city centre development," commented Bert Moore, leader of the Conservative opposition on the council.

So far there has been six months rivalry between the MetroCentre outside and the Eldon Square shopping centre inside the city and north of the Tyne. The second phase of MetroCentre opened with the aid of ministerial fanfare last October—over 1m sq ft of retail space. Phase Three will be completed next October, adding a further 333,544 sq ft plus "a leisure box." By then around £180m will have been spent on the development.

Three further phases follow later but will be more concerned with retail warehousing, offices, leisure use and a hotel. The greater number of the shops will be there by the end of Phase Three.

What has happened so far is that most MetroCentre customers have come from the south and the west. The average Newcastle shopper's reluctance to cross the river does not seem to have been severely dented, except, it appears, on Easter Monday when Eldon Square was shut.

John Bryson, the MetroCentre manager, said that in the first three weeks after the October opening, visitors were averaging 500,000-600,000 a week. That settled down to 400,000 in the period to last Christmas, after which MetroCentre re-opened snowbound.

After that the numbers crept up to 200,000 a week, broadly two-thirds of the target figure. On the last Saturday before the Easter weekend, there were about 100,000 visitors and that total was repeated on Good Friday, the opening day of a new bus station and multi-storey car park.

For comparison, the Merry Hill shopping centre at Dudley, near Birmingham, has reached 80,000 visitors on a good Saturday after an earlier opening but with some 60 per cent of the retail space. And Mr Gordon Allanson, the manager at Eldon Square, believes that the number of MetroCentre visitors is about a quarter of those going to Eldon Square, where, in any case the hours of active trading are more concentrated.

Last October the Eldon Square retailers thought that they do well if, in the face of competition from the MetroCentre they could hold reductions in turnover down to 10 per cent. In fact, turnover has increased.

Mr Allanson can monitor this closely because Eldon Square rents are partially geared to sales levels achieved in individual premises. His preliminary calculations, now that Christmas and New Year sales periods are well out of the way, show that the impact of the MetroCentre has been negligible. Sales on average are running around 2 per cent lower than they would have been had the MetroCentre not opened but, in absolute terms, 1986-87 has been higher than 1985-86.

It is not clear so far how much the visitors to MetroCentre are spending but anecdotal evidence suggests that the big stores are broadly on budget in their sales build-up. Led by Marks and Spencer, many of them trade at Eldon Square anyway. So there is some basis for arguing, not that the city centre has been damaged by MetroCentre, but that more trade has been created.

It is also possible to argue, however, that the city centre retailers have been put at a competitive disadvantage. Newcastle rents are high, rates are often as much again. But the MetroCentre was built on the back of enterprise zone tax concessions and the retailers there are enjoying a rates holiday.

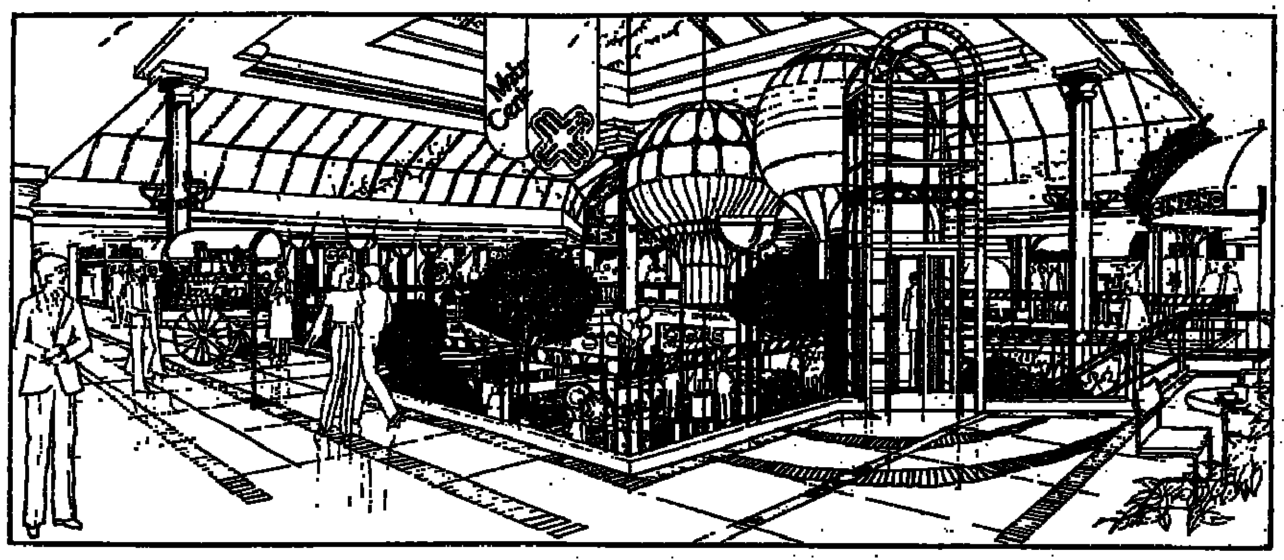
The difficulty for the MetroCentre retailers will come, if they come, when rent reviews fall due. That is roughly at the same time as the rates holiday will end.

Against that, it can be argued that the Newcastle retailers and the city centre more generally enjoy an enormous competitive advantage over an attempt to create the amenities of a town centre on a marshy ash dump of an old power station. Newcastle traditionally has been a regional centre, drawing in people from neighbouring towns, and not only for the shopping. There is no comparable centre between Leeds and Edinburgh and Glasgow.

The problem has been to maintain that advantage. The city council, its own transport authority since April 1986, has sought to make access to the centre easier by improved car parking and reduced parking charges.

Housing is returning in the central area. Redevelopment of the Tyne Quayside has started. With the old Tyne and Wear structure plan effectively in limbo, the council has relaxed restraints on new shopping and is even promoting its own venture at the Armstrong Centre. Greycoat is to develop new facilities that will link to Eldon Square.

At Eldon Square itself, owned by Capital and Counties and the city council, a £10m expansion is underway to be opened at roughly the same time as Phase Three of MetroCentre will be completed. A £5m refurbishment of the 11-year-old centre has started. But Mr Allanson conceded that the plans "came out in haste because of MetroCentre."



The MetroCentre, Gateshead: indulges the taste for rhetoric

John Hall, latest apostle of the North East

BY PAUL CHEESEWRIGHT, PROPERTY CORRESPONDENT

JOHN HALL is head of the family that owns Cameron Hall Developments. John Hall is the man behind MetroCentre.

The Northumbrian miner's son is on a high, caressed by the plaudits of the Prime Minister, seen as a North East economic messiah. Unlikely to blush with false modesty, he is in no doubt of his achievements.

Not only is MetroCentre "probably the finest shopping complex in the world today," and "setting new standards in management," but "we've cleared the dole queues on the south bank of the Tyne."

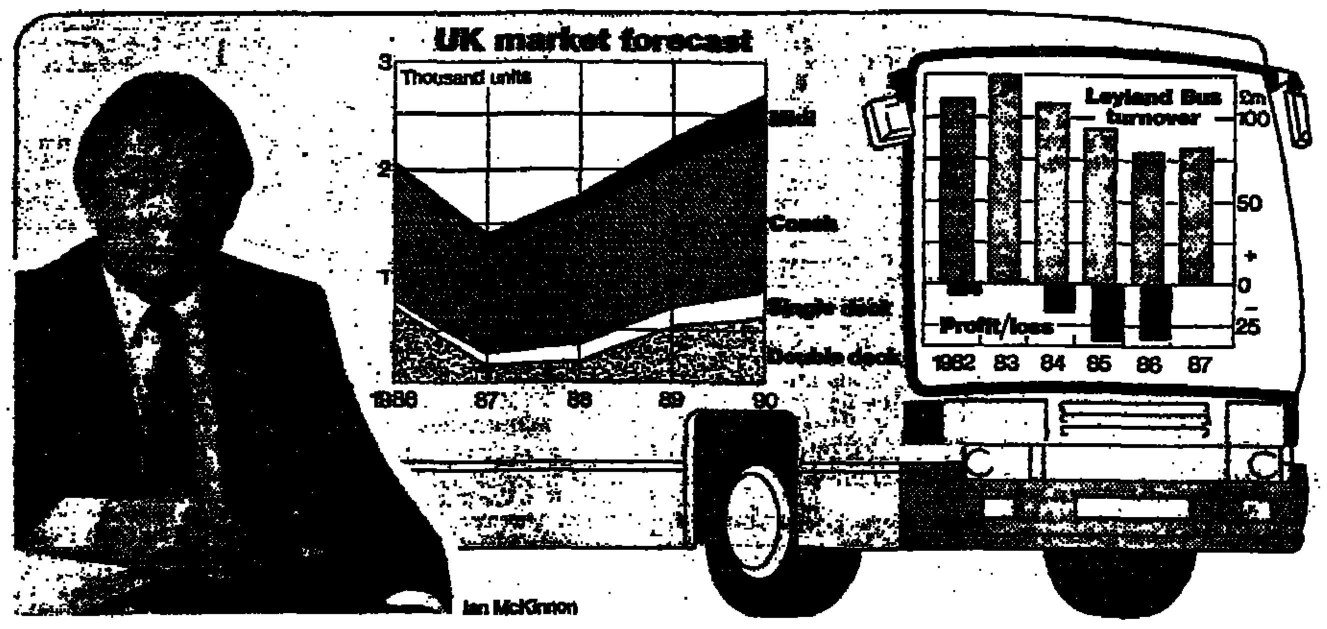
His ideas are as fertile as they are grandiose. The Gateshead Garden Festival—"we're going to make it Expo 90, there'll be 3m to 4m visitors." He has bought the 5,400 acres Londonderry estate on Teesside—"we're going to make Teesside the gateway to Europe, create 15,000 jobs." He seeks to follow up MetroCentre with MetroTees.

John Hall presents himself as the latest apostle of the North East. The region is "a force to be reckoned with," he says.

Now he wants to give the rest of the UK the benefits of his experience, his vision of shopping.

Called in by Color Properties to spur its flagging effort to bring the Sandwell Mall leisure-shopping complex outside Birmingham off the drawing board, he will next week present new proposals to the local authority. He will be vying with other developers at a public inquiry in Exeter in the hope of having another centre there. He is looking at Manchester and Edinburgh.

MANAGEMENT



Ian McKinnon

All geared up for a relaunch

Kenneth Gooding reports on prospects for Leyland Bus following its buy-out

AT FIRST SIGHT it seemed as if the people who wanted to organise a management buy-out of Leyland Bus had lost their senses.

Why would they want to risk their money buying from Britain's state-owned Rover group a company which had suffered losses of about £80m in the past three years, the domestic market for which had collapsed — from 3,000 single- and double-deck buses a year to only 300—and which had developed a relatively poor reputation for service back-up and parts supply?

The management team, led by Ian McKinnon, a 40-year-old Scottish engineer, was not even previously deeply involved in the bus business. The executive moved in from Leyland Trucks half-way through 1985 during yet another management shake-up within the Rover Group. (Because most of them worked at the now-closed Bathgate truck plant in Scotland, they are known as the Bathgate Mafia.)

Yet, when there was an approach by UK rival Metro-Cammel-Weymann, the Laird Group subsidiary which is Leyland Bus's biggest competitor and therefore had every good reason to buy the business, the new Leyland Bus management team decided to make its own bid.

Embryonic ideas for a management buy-out were formed during February 1986 but the team was not able to reach agreement in principle until July and the process of completing the purchase took another six months. Leyland Bus was finally bought from Rover and returned to the private sector on January 13 this year.

Next week McKinnon and his team begin to relaunch Leyland Bus in earnest and are determined to re-establish confidence in the company.

They are starting with a new product, a midi-bus, called the Swift, developed from the Roadrunner medium truck. Leyland Bus believes this will dominate its market niche and. McKinnon points out, "provides a good example of the new responsive approach at privatised Leyland Bus."

The management team obviously relishes its new-found freedom. No longer does the decision-making process have to wind its way up and down the chain of command from Bus, to Leyland Vehicles, to the Rover Group board. "The speed of management response is now very fast. We can make important decisions in a day." McKinnon, a ruddy-faced, rugged man, says confidently.

But it took more than the attraction of running their own show to convince the group of hard-nosed executives that Leyland Bus had the chance of a profitable future.

Their decision was based on several positive factors, the most important of which are:

● That demand in the UK bus market should reach the bottom of the trough this year and then start to recover modestly. Most buses on UK roads will be 15 years old by 1990. By that time all the distortions caused by deregulation of bus services should be out of the way and a clearer pattern of demand established.

● That Leyland Bus's business is, in any case, not entirely dependent on the depressed UK market. McKinnon says the revenue is provided by five different operations in roughly equal, 20 per cent chunks. Apart from UK bus chassis supply there is export, rail car production, parts supply from the Chorley, Lancashire, parts distribution centre of Leyland-Daf (recently formed by the merger of Daf Trucks and Leyland Trucks), and also from Leyland Bus's four wholly-owned depots.

● That the company inherited an up-to-date product range and will not have to spend heavily on new products for another three or four years.

That the UK Government provided the money for the Rover Group to wipe out Leyland Bus's accumulated debts and pay for further rationalisation at a total cost of £55m.

McKinnon says the government money enabled the management team to restructure the business "for the market as it is today." The principal elements of this have been cuts in production capacity and a reduction of the workforce from over 5,000 to about 1,200.

Production has been pulled back into the two factories: Workington, once famous for making the National Bus vehicles but which now depends heavily on making rail cars and also produces its own range of Lynx single-deck bus and Royal Tiger luxury coaches; and Farington in Leyland where the double-decker chassis are made as well as the new midi-bus and gearboxes, axles and suspension systems.

The headquarters has also been moved to Farington.

Details of the restructuring and the buy-out were passed on to the 1,760 employees who were called together in small groups.

"There has been a real change in attitude," McKinnon says. "The employees have really come to the party. They know there is now no safety net if the company is not profitable."

Leyland Bus has signed a two-year deal with the unions which is revolutionary by previous standards. It offers no new money in the first year—only genuine productivity payments—and 3 per cent in the second year.

McKinnon claims the deal allows for much more flexible working, including changes in working hours, changes in demarcation and "bell to bell" working.

Employees also will have "a genuine chance to share in the success of the company," he points out, because 16 per cent of the equity of the new holding company has been set aside for them.

The directors — McKinnon, George Newburn, 44, responsible for manufacturing operations, Eric Turner, 40, finance and systems, John Kinnear, 50, service, James McKnight, 49, product development, and David Quainton, sales and marketing — and Bankers Trust, which provided a £5m term loan for the buy-out, have 72 per cent between them.

The remaining 12 per cent is being held in reserve. Some will certainly go to Lancashire Enterprises, the job-creation company funded by Lancashire County Council, which has already helped Leyland Bus put together a £1.8m retraining package which has attracted money from the European Social Fund.

There is also expected to be some cross-holding of shares between Leyland Bus and DAB, Rover's wholly-owned bus assembly company in Denmark which is also soon to be the subject of a management-led buy-out.

To top up the £5m from Bankers Trust, overdraft facilities are being provided by the Bank of Scotland.

McKinnon says the new management plan assumed that the re-vamped Leyland Bus should be profitable from the outset and have a positive cash flow.

So far things are going better than the highly conservative forecasts suggested.

Production is 20 per cent above forecast because within the past month Leyland Bus won an order for 110 Olympian double-deckers from Kowloon Motor Bus, the largest bus operator in Hong Kong and a long-standing Leyland customer. DAB has also recently increased its order and Ulster Bus, another good customer, came up with one for 200 Tiger buses.

As a result, the 120 jobs due to go in the summer as the final part of the restructuring of Leyland Bus will not after all be lost.

Looking further ahead McKinnon aims to polish up Leyland Bus's image, particularly in respect of the service back-up it provides. Like many other managers today, he believes "the customer is king." He promises that service problems will be solved more quickly and any one outstanding for more than 20 days will be the subject of a special meeting which he will chair.

There are about 80,000 Leyland buses on the roads around the world, generating lucrative spare parts business. The Leyland-Daf spare parts distribution and warehousing operations at Chorley, Lancashire, will continue to work for Leyland Bus under an exclusive three-year arrangement tied to certain agreed performance criteria.

This is one of a series of deals with Leyland-Daf, the Netherlands-controlled company recently formed by the merger of Daf Trucks and Leyland Trucks. Service agreements cover such things as the continued use of the Leyland technical centre, medical centre, apprentice training facilities, payroll, mains services and, for the moment, export financing support.

Daf, Leyland-Daf's parent group, also says it will not start bus-building in the UK—although it will continue to import built-up coaches.

As for the production plants, McKinnon says some of the bus body-building operations which were carried out at the Eastern Coachworks factory in Lowestoft, Suffolk, closed down early this year, might be switched to the Farington plant.

He also hopes to diversify a little more by winning sub-contract work for the highly-flexible machining operations at Farington which he says could be used for Ministry of Defence work.

The Workington plant has just delivered six months ahead of the competition a 23-metre, advanced deisel, two-car rail unit as part of an order for 70 cars by British Rail for delivery by April next year. "This business is essential to Workington," McKinnon points out.

British Rail wants 250 rail cars worth £100m to be delivered by the middle of 1988 and Leyland Bus is going for a big slice of that in competition with BREL (British Rail Engineering) and Metro-Cammel-Weymann. "So far we have only nibbled at the rail car business," McKinnon suggests.

The diversification plans show clearly that the management team is not preoccupied with buses. McKinnon says this was one aspect of their proposals that appealed to Bankers Trust when the team asked for money.

"We regard Bankers Trust's confidence in our plans as being of the greatest importance. Banks are hardly charitable institutions and Bankers Trust has only supported us because it believes we can succeed."

Non-executive directors

The noble bear takes issue with the noble lord

An alternative view

CONTROVERSY INVARIABLY surrounds the subject of non-executive directors in the UK, as the mixed reaction to the proposals published this week by the Pro-Ned (Promotion of Non - Executive Directors) organisation indicates. But to bring the illustrious Paddington Bear into the argument, as Lord Errol did in his article on this page on April 8, is apparently beyond the pale. A reader, signing herself "Alice," *has leapt to the noble bear's* defence.

I MUST protest most strongly at the scurrilous article by Lord Erroll of Hale, entitled "Beware the Facile Panacea." Who is this Lord Erroll fellow, anyway, and what does he really know about the essential Paddington Bear?

I am a member of a well-known bank in the City and we have our own Paddington Bear, whose reputation I now seek to defend.

Lord Erroll states that "a Paddington Bear can sit unnoticed in a boardroom, eating his lunch . . ." This is hardly likely, if for no other reason than that he would undoubtedly be munching his way through a mound of marmalade sandwiches while all the other non-executive directors would be tucking into the pate de fois gras, and *if this had escaped their* notice then they should jolly well have been turfed out years ago for lack of observational powers.

And as for "if a serious division of opinion develops, his is ignored, or he sides meekly with those who look like winning the argument"—well, all I can say is that Lord Erroll could not have made an in-depth study of the body language of a Paddington Bear or he would have observed that behind the jovial, seemingly placid, exterior, there is a steely backbone which enables a Paddington Bear invariably to get his own way without appearing to do so.

Our Paddington Bear, for instance, managed to sway many other bankers to his point of view during the examination of a certain company's financial crisis by wagging his head sorrowfully when they got it wrong and beaming broadly when they got it right, after which they went away mighty pleased with themselves at having reached the correct solution all on their own!

I therefore feel that Lord Erroll's sweeping statement that all Paddington Bears are "worse than useless in a stressful situation" is a slur on the good name of our Paddington Bear.

***And where will it all end?* Are we to be regaled with further articles by Lord Erroll, vilifying White Rabbit non-executive directors (the clock-watchers of the board room) or Dormouse non-executive directors (the soporific teapot squatters)?**

Needless to say, we had, until recently, our own White Rabbit and we still have our own Dormouse, at present slumbering peacefully in one *of our overseas offices.* I have no doubt that Lord Erroll would completely misinterpret a White Rabbit's clock-watching, which is, in fact, an expression of his urgent desire to "get on with marketing his excellent carrot" and not an indication that he wishes to hurry home to mow the lawn! And it is also patently clear that Lord Erroll, in his naiete, wou'd never appreciate a Dormouse's laconic sense of humour and the fact that his "pretend" snoozes are designed to lull everybody into a false sense of security while he is, in fact, taking in everything that is going on.

Let there be, indeed, a charter for Paddington Bear directors—and one for White Rabbits and Dormice. Perhaps, then, misfortune would strike public companies less often and share prices would rise instead of plummet.

Arts Week

F	S	Su	M	Tu	W	Th
24	25	26	27	28	29	30

Exhibitions

WEST GERMANY

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He did much of his work in Bonn, and was responsible for a new art form Rheinische Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne, Ends May.

Düsseldorf, Kunstmuseum, Ehrenhof 5: From Raphael to Beuys. This exhibition displays 55 Italian baroque and renaissance drawings from the museum's permanent collections, as well as paintings by 19th and 20th century German artists. Ends May 17.

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

Daniel Buren. Having acquired fame with his controversial columns in the Palais Royal gardens, Buren, obsessed with vertical stripes, has taken over the exhibition spaces of the Musée des Arts Décoratifs. The stripes cover everything from a specially erected staircase to china plates and their dressers, from walls to television screens. The colour of the stripes may vary, but the inspiration does not – and the initial surprise turns quickly into a long drawn-out tedium. Musée des Arts Décoratifs, 107 rue de Rivoli (4260 3214). Ends Apr 26.

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative impoverishment seems to have inspired the royal craftsmen with an elegance whose near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

Hommage to President Georges Pompidou: Echoing the celebrations of the 10th anniversary of the Centre Georges Pompidou, Artcurial presents 100 contemporary artists around a nucleus of paintings, drawings and sculptures which belonged to the late President. The great names of the then avant-garde in his own collection, the furniture he chose for the Elysée Palace, all testify to the impulse this Homme de Culture gave towards modernity – and his enjoyment of it. Artcurial, 9 Ave Matignon. Closed Sun and Mon, Ends Apr 30 (4299 1616).

Costume-Coutume. Where better to stage an exhibition on clothes and their sociological significance than in Paris, whose very name is synonymous with fashion! The imaginatively presented exhibition ranges from the breeches and tunics of ancient Gauls to the rare exhibits from the 18th century – le Habit Français – and to Edith Piaf's legendary little black dress. Grand Palais (Closed Tue, Wed late closing) ends June 15 (4289 5410).

SPAIN

Madrid. Diego Rivera. A retrospective 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempora paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

Madrid, a Franck Auerbach retrospective. 40 oil paintings by the German artist who moved to the UK in 1939 and is an exponent of the figurative expressionism tradition. This show, sponsored by British Council, was recently seen in Hamburg and Essen. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Jun 1.

Madrid, Julio Gonzalez (1876-1942): About 30 pieces made by the Spanish sculptor, mostly from the 1920s, his most creative and fruitful period, and some paintings of 1935-37. Works exhibited are numbered copies, but some are of superior quality to those made by the artist. Mostly in bronze and on sale. Galeria Theo, Marques de la Ensenada 2. Ends Apr 25.

Madrid, Robert Motherwell. American abstract expressionist, offers 49 paintings. Juana Mordo Art Gallery, Villanueva 7. Ends Apr 31.

Madrid, Homage to Manuel Viola (1919-87). One of the relevant members of Madrid's Art movement El Paso in the 50s, an informal movement of marked expressionist character to which the artist gave some humour. Juan Gris Art Gallery, Villanueva 22. Ends May 4.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum be is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Milan, Pinacoteca di Brera: Impressionist Paintings from American Museums – 47 works from the splendid collections held by the Metropolitan in New York and the National Gallery in Washington. Includes works by Boudin, Cézanne, Corot, Degas, Van Gogh, Manet, Pissarro, Renoir and many others. Ends May 10.

Rome, Palazzo Braschi (Piazza San Pantaleo): Luis Ducros (1748-1810): Italian landscapes at the time of Goethe. Delightful exhibition of watercolours and coloured engravings (from the Ducros Museum in Lausanne) of the monuments and palace gardens of Rome and those sites around which would have figured in any self-respecting eighteenth century grand tour: Tivoli, Vesuvius, Paestum and Posillipo (Virgilio's Tomb). The exhibition is held in the sumptuous palace which Pope Pius VI built for his family, and on show here is Ducros's account of that same Pope's visit to the reclamation works on the Pontine Marshes in 1783. Ends May 3.

Milan, Palazzo della Triennale: Imaginery Cities, A Journey Through Italy and Nine Projects for Nine Cities. An exhibition in two sections. Nine groups of young architects, Italian and foreign, examine the history and development of cities as diverse as Rome, Naples and Turin. In the second, they make imaginative sug-

Continued on Page 23

Music

LONDON

Barry Douglas, piano: Beethoven, Shostakovich, Mussorgsky. Barbican Hall (Wed). (638 8891).

City of Birmingham Symphony Orchestra, conductor Simon Rattle: Mozart, Mahler. Barbican Hall (Thur).

London Sinfonietta, conductor Elgar Howarth: Xenakis, Birtwistle. Elizabeth Hall (Thur). 928 3191).

Royal Philharmonic Orchestra, conductor Andrew Litton, Jon Kimura Parker piano: Mozart, Schumann, Mahler. Festival Hall (Thur). (928 3191).

NETHERLANDS

Eindhoven, Globe Theatre. Mozart recital by vocalist and the Stadler Basset Horn Trio (Tue). (11 11 22).

Nijmegen, Vereeniging. The Gelders Orchestra conducted by George Octors, with Jard van Nes, mezzo, and John Bröcheler, baritone: Brahms, Mahler (Tue). (22 11 00).

Groningen, Oosterpoort. The Netherlands Chamber Choir under Uwe Gronostay: Brahms, Pfitzner, Reger (Tue). (13 10 44).

WASHINGTON

National Symphony (Concert Hall): Maxim Shostakovich conducting. Tchaikovsky, Shostakovich (Tue); Hugh Wolff conducting, Kathleen Battle soprano Mozart, R. Strauss (Thur). Kennedy Center (254 3776).

NEW YORK

Carnegie Hall: Orpheus Chamber Orchestra. Alicia de Larrocha piano. Rossini, Mozart, Haydn, Strauss (Mon); Boston Symphony. Seiji Ozawa conducting, Krystian Zimerman piano. Schaffer, Liszt, Ravel (Tue), Liszt, Bruckner (Wed, Thur). (247 7800).

Julliard Concerts (IBM Gallery): Spontaneous Winds. Woodwind trio playing Mozart, Schubert, Falcone (Wed, 12.30). 56th & Madison.

CHICAGO

Chicago Symphony (Orchestra Hall): Christopher Hogwood conducting. C.P.E. Bach, Mozart, Stravinsky, Haydn (Tue); C.P.E. Bach, Villa-Lobos, Martinu, Schumann (Thur). (435 6111).

SPAIN

Barcelona: The English Chamber Orchestra conducted by Enrique Garcia Asension with pianist Josep Colom; Stravinsky, Mozart, Cerello, Haydn (Tue). Same orchestra accompanies sopranos Carmen Bustamante and Nancy Argenta, tenor Howard Crook, bass Luis Alvarez and Coral Antics Escolan de Montserrat conducted by Edmon Colomer; Mozart's Prague Symphony and Mass in D Minor (Wed). Paleu de la Music Catalana, Amadeo Vives 1.

Madrid: Philharmonia Hungarica conducted by Pedro Alcalde: Prokofiev, Brahms. Teatro Real, Carols 111 (Thur).

ITALY

Parma, Teatro Regio: music by Gershwin sung by the soprano, Grace Bumbry, accompanied by Jonathan Morris (Fri). (Box Office: 79 56 78).

Milan, Teatro alla Scala: Riccardo Muti conducting Beethoven's Symphony No. 1 and Prokofiev's Romeo and Juliet Suite (Mon). (Box Office: 80 91 26).

Florence, Teatro Comunale: (Maggio Musicale Fiorentino): The Chung Trio playing Mozart, Mendelssohn and Brahms (Wed). (Box Office: 277 9236).

PARIS

Alfred Brendel, piano recital: Schubert (Mon). Salle Pleyel (4563 0796).

Teresa Zylis-Gara, soprano, Christian Ivaldi, piano: Rachmaninov, Tchaikovsky, Szymanovski, Dvořák (Mon). Théâtre de l'Athenée (4742 6727).

Orchestre National de France conducted by Karl Anton Rickenbacher with Helene Garetti, David Rendall: Honegger, Landowski (Tue). Notre-Dame de Paris (4524 1516).

Nouvel Orchestre Philharmonique conducted by Gabriel, Chmura, Olivier Charlier, violin: Smetana, Khatchaturian, Dvořák (Wed). Radio France, Grand Auditorium (4524 1516).

Ensemble Polyphonique de Versailles, Orchestre Français d'oratorio conducted by Jean-Pierre Lore: Mozart – Coronation Mass, Handel – Te Deum (Thur). Saint-Roch Church (4261 9326).

London Nash Ensemble, A. Rolfe Johnson, tenor: Roussel, Warlock, Gounod, Fauré (Thur). Musée d'Orsay (4549 4814, ext 4369).

VIENNA

Clemencic Consort conducted by Rene Clemencic. Italian music from the 17th century. Musikverein Brahms Saal (65 81 90). (Fri).

Ensemble Polyphonique de Versailles. Liszt and French Renaissance music. Votivkirche (Fri).

Vienna Hofburg Orchestra conducted by Gert Hofbauer. Waltzes and light opera music. Konzerthaus Mozart Saal (72 12 11). (Sat, Thur).

TOKYO

The Bartók Quarter: Beethoven, Brahms, Bartók. Asahi Seimei Hall, Shinjuku (Mon). (353 2242).

Japan Philharmonic Orchestra, conducted by Naoto Ohtomo, with Hiroko Nakamura, piano. Chopin, Moussorgky. Suntory Hall, Akasaka. (Wed). (234 5911; 237 9990).

Traditional Japanese music: Koto and other traditional instruments in recital of music with spring and cherry blossom themes. Dai-ichi Seimei Hall, Hibiya, near Ginza and major hotels. (Tue). (216 3810).

Opera and Ballet

ITALY

Milan: Teatro alla Scala: Giuseppe Patane conducts Puccini's Il Tabarro, directed by Sylvano Bussotti, with Eleonora Jankovic, Milena Pauli, Piero Cappuccilli and Nicola Martinucci, and I Pagliacci in Franco Zeffirelli's productions. The costumes are by Anna Anni, and the cast includes Jose Carreras, John Rawnsley, Daniela Dessi and Angelo Romero. (Fri, Wed. Also Sun, Tues, Thurs). Bellini's I Capuleti e i Montecchi conducted by Riccardo Muti, with June Anderson, Agnes Baltsa, Francesco Ellero d'Artegna and Giorgio Surjan. Box Office: 80 91 26. Teatro Lirico: Three Ballets: Serenade by Balanchine, Lulu by John Butler, danced by Carla Fracci and George Iancu, and Maurice Bejart, Bolero, danced by Luciana Savignano (Fri). Box Office: 86 84 18.

Rome: Teatro dell'Opera: Mozart's Il Nozze di Figaro conducted by Gustav Kuhn and directed by Alberto Fassini (based on the Visconti version, with his sets and costumes). The cast includes Anne Sophie von Otter, Alessandro Corbelli, Adelina Scarabelli and Claudio Desderi (Wed). Box Office: 46 17 55.

WEST GERMANY

Berlin, Deutsche Oper: Tosca with a new cast led by Nelly Miricioiu and Neil Shicoff. Rigoletto, produced by Hans Neuenfels, with Barbara Vogel, Ute Walther and Ingvar Wixell. Also Giselle with Eva Evdokimova dancing the title role.

Hamburg, Staatsoper: Carmen stars Theresa Berganza, and Rigoletto Lucia Aliberti, Francisco Araiza, Leo Nucci and Harald Stamm. They are joined by Margaret Price and Franz Grundheber in Don Carlos.

Frankfurt Opera: Michael Halasz conducts La Bohème with Yoko Watanabe, Alberto Cupido and Paula Page. Ruth Berghaus' production of Götterdämmerung stars Caterina Ligendza, June Card, William Cochran and Manfred Schenk. Anja Silja, Barbara Bonney and William Cochran sing in Fidelio, and Le Nozze di Figaro returns to the repertory.

Cologne, Opera: Maria Slatinaru, Ludwig Baumann and Herman Winkler sing in Fidelio, in repertory with Aida.

SPAIN

Madrid: Don Pasquale by Donizetti with Enzo Dara, Enric Serra, Yoshihisa Yamaji, Enedina Lloris, Santiago Gerico. Teatro de la Zarzuela, Jovellanos 4 (Tue, Thur). Chit Chat – ballet by Patricia Bardi (Tue to Thur) and Cia Madrid Danza Contemporanea "Nudos en ningun lugar" (Mon, Wed, Thur). Circulo de bellas Artes, Alcala 42.

Barcelona: Mozart's Lucio Silla with Ezio di Cesar, Jenny Drivala, Raquel Pierotti and Julia Conwell conducted by Julius Rudel. Gran Teatre del Liceu, Sant Pau 1 (Thur).

PARIS

Elektra conducted by Kent Nagano with Helga Dernesch, Gwyneth Jones and Cheryl Studer alternates with Maguy Marin's ballet Lecons de Tenebres to Couperin's music conducted by William Christie in which light is created out of chaos and darkness. It is followed by Lazzini's La Fille Mal Gardée in a refreshing pantomime version. Paris Opera (4266 5022).

Spectacle GRCOP – Groupe de Recherche Choreographique de l'Opéra de Paris produced contemporary creations with one including even the Orchestre National de Jazz at the Opéra Comique (4296 0611).

Pina Bausch and the Wuppertal's Tanztheater reveal through remorseless questioning the essential in man in two alternating programmes: Gebirge and Kontakthof. Théâtre de la Ville (4274 2277).

VIENNA

Staatsoper: Rusalka conducted by Neumann with Beackova-Cap, Randova, Sasaki, Sima, Hintermeier (Fri); Daphnis and Chloe conducted by Zagrosek with Seyfried, Over, Karl, Totzler; The Firebird conducted by Zagrosek with Jaska, Nowak, Tichy, Wilhelm; both Sat, Mon. Tristan und Isolde conducted by Stein with Jones, Lipovsek, Versalle, Salminen (Sun). Andrea Chenier conducted by Kobucar with Slania, Beckanova-Cap, Yachmi, Lilova (Tue). La Traviata conducted by Zedda with Ghazarian, Winsauer, Gonda, Lima, Zancanaro (Wed); Die Puppenfee by Baier, and Wiesenthal – Tänze by R. Strauss conducted by Sollak (Thur). (51 444/26 55).

Volksoper: Der Bettelstudent conducted by Bauer-Theussl with Motil, Steinsky, Schmid, Juster (Fri). Die Csardasfürstin conducted by Bibl with Motil, Beer, Radek. (Sat); Madame Pompadour conducted by Bibl with Ramm, Burger, Loewinger. (Sun). Die Weise von Liebe and Tod des Cornets Christoph Rilke conducted by Märzendorfer with Eder, Bokor, Rudiferia, (Mon). Die Entführung aus dem Serail conducted by Parik with Saep, Rudiferia, Vinzent (Tue). Der Zigeunerbaron conducted by Artmueller with Banfalvi, Holliday. (Wed). Hoffmanns Erzählungen conducted by Bernet with Eder, Kertesi, Radek, (Thur). (51 444/26 57).

NEW YORK

City Center: Paul Taylor Dance Company includes revivals of Dust, Images, Polaris, and Profiles along with a new work choreographed for the first time by Mr Taylor to Mozart. Ends May 17, 55th e. of 7th Av (246 8989).

LONDON

English National Opera, Coliseum: two versions of the Don Juan legend play side by side at the Coliseum this week. The most famous, Don Giovanni, returns in Jonathan Miller's uneven but lively production, with William Shimell in the title role. Dargomyzhsy's The Stone Guest, a crucial work of Russian operatic history joining the British repertory for the first time, has Keith Warner as producer, Paul Daniel as conductor, and a cast including Graham Clark, Kathryn Harries, Sally Burgess, and Neil Howlett. The new production by David Alden of Simon Boccanegra is surreal, clumsy and uninteresting, but the singing (by Jonathan Summers, Gwynne Howell and Janice Cairns) and the Verdi conducting of Mark Elder go a long way toward making amends.

Royal Opera House, Covent Garden: Sadler's Wells Royal Ballet presents The Sleeping Beauty (Sat mat and eve, Wed) and a triple bill (Mon). Watch for Merrill Ashley, a superb New York City ballerina, on Sat mat.

Sadler's Wells, Rosebery Ave: The London Festival Ballet ends a week's season at the weekend with a triple bill, including two works new to London. The Philobolus Dance company starts a season on Tuesday.

NETHERLANDS

Amsterdam, Muziektheater. The National Ballet with Frederick Ashton's Cinderella (Tue, Thur). (255 455).

The Nederlands Dans Theater tour with The Unsung (Limou) and L'Historie du Soldat (Kyllan/Stravinsky), Tue in Eindhoven, Schouwburg (11 11 22), Wed in Nijmegen, Schouwburg (22 11 00), Thur in Scheveningen, Circus Theatre (55 88 00).

Rosalind Newman and Dancers on tour from the US. Mon in Breda, Concordia (13 57 00), Wed in Den Bosch, Casino (125 125).

Scheveningen, Circus Theatre. Kathak dancers from India (Wed). (55 88 00).

TOKYO

La Tragédie de Carmen: Peter Brook's renewned original production. The Peter Brook Company directed by Brook has been chosen to open Tokyo's newest theatre, the Ginza Saison. By eliminating the usual opera fillers and distractions, concentrating on the main characters and convincing acting and relegating the (conductor-less) orchestra offstage. Peter Brook's version ensures that nothing interferes with the drama and realism. In the five years during which this Carmen has been seen in Europe and the US, Japan has campaigned for its performance here. But Brook rejected every suggested venue. This unlikely modern theatre was accepted because of its flexibility. The newest cultural jewel of the Seibu Group is so deceptively converted into an arena space, complete with red sand floor and plain high walls that it has been made to look like Brook's Paris base, the famed, gutted Théâtre des Bouffes. Other innovations include the civilised 7.30 (8.00 at weekends) start and restaurants for after-theatre dining. Ginza Saison Theatre (535 0556; 980 6888).

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THE ARTS

Cinema/Nigel Andrews

No insights into the horror of war

Platoon (PG) Odeon Leicester Square
My Life As A Dog (PG) Renoir
Tough Guys (15) Leicester Square Theatre

Lauded by American critics and larded with Oscars, *Platoon* at last comes to Britain. Writer-director Oliver Stone's movie about Vietnam takes us through two hours of fighting and "fragging" (*killing men on one's own side*), enemy fire and undeleted expletives, in a bid to show us the "real" Vietnam. Stone should know about it: he is a veteran. And *for the film* he had his actors tramp through real jungles (in the Philippines) live on real army-style rations and generally limber up for a plunge into white-hot verisimilitude.

It should all add up to the definitive *statement* on Vietnam. And indeed how could the favourable verdict of a nation's *critics and $200m worth of* American ticket-buyers (so far) be wrong?

Answer: by not being right. For all its surface bravura, *Platoon* proves a thinly-conceived film thickened out with quantities of visual and visceral rhetoric and war-is-hell philosophising. Its main bid for originality in the Vietnam movie stakes has been to take the line that the film is about "America fighting itself." Thus at the film's centre we have a grudge fight, finally taken to the death, between two symbolically antithetical soldiers in the same platoon.

One is Sergeant Barnes (Tom Berenger), a scar-faced martinet with a near-maniacal devotion to the army as a "machine" which must not break down. The other is the toughly compassionate Sergeant Elias (Willem Dafoe), who three years into his Vietnam service no longer knows why America is fighting the war. He does his best to conduct his soldiering with stoic courage but without needless gung-ho or brutality. Off duty, Elias smokes pot; Barnes does not. On *duty*, Barnes puts Vietnamese villages to the torch and murders innocent civilians; Elias does not.

This could have been an intriguing clash of opposites, if only it had been allowed to develop human dimensions. But it becomes ever clearer that Barnes and Elias are not human beings but stone's personifications of god and evil in a marionette morality drama where most of the characters are held up by strings operated by the director. In case we miss any of the moral mesages being choreographed, there is also a voice-off narration by the central character Chris (Charlie Sheen) in the form of long literary-philosophical letters home to his Grandma *(sic)*. These letters specialise in profundities like "Barnes was the eye of our rage . . . our Captain Ahab" or "Somebody once wrote, 'Hell is the impossibility of reason'."

Chris is a human cipher with a portentous over-voice, placed *at the heart of the movie's darkness*: a darkness that has little to do with visionary Conradian glimpses of the void but is more the dark side of a glib movie-made Manichaeism. When bad Sergeant Barnes kills good Sergeant Elias, ambushing him in the jungle out of earshot of their men, Barnes becomes the movie's answer to Kurtz in *Apocalypse Now* (Coppola's bash at Conrad): an ogre, a paradigm of cruelty awaiting the final executioner's stroke from the boy hero, Chris. And the fact that Chris is played by the son of *Apocalypse Now's* star Martin Sheen lends an *increasingly maddening sense of déjà vu*, and *déjà entendu*, to the movie's final stages. It is as if we have all been here before: not just in Coppola's film but in almost every Hollywood movie where a nation's crises in war catalyse and *expose the lurking division* between good and evil men in its society, and where the tale is crowned by the hero's meting out rough justice to the villain.

Platoon is at its best when it downs the tools of moral fable-making and hints instead at the nightmare anarchy of a war fought in an unknown jungle *far* from home: when it substitutes the sense of a frightening meaninglessness for an imposed *pretence of meaning*. The most chilling message from the Vietnam war, after all, was that there *was* no message. No victory to give consolation for the tens of thousands dead; no cherished folklore of heroism to be gathered up into history; no over-voice, divine or human, telling us why men were suffering or what possible wisdoms or insights they might gain from *much suffering. The courage of* looking into *that* void is something *Platoon* too seldom musters.

Charlie Sheen in "Platoon"

★

We have another over-voice in Lasse Halstrom's *My Life As A Dog.* But far from telling us what to think, like *Platoon*, the boy hero's commentary in this beguiling Swedish film set in the 1950s is an addled stream of consciousness flowing in *directions as unpredictable as* the movie itself.

Ingemar (Anton Glanzelius) is a 12-year-old with a dying mother of capricious moods. She screams and rages at him one moment, she looks at him the next with a tender, sorrowing mortality. No wonder he thinks aloud about the poignant vulnerability of dogs *(especially the Russian space* dog Laika who has just died in orbit), about the pathos of human achievement and failure ("I think about the motor-*cyclist who lined up 31 buses*. If he'd stuck at 30, perhaps he'd have survived") and about why exactly he is being sent to a remote rural town to stay with an uncle and aunt. Is it so that Mother can die in peace? And what will happen to his own *dog, who he is told*, is to be kennelled? (Perhaps he is about to meet the same fate as Laika).

The film is at once credible, touching and *enchantingly* inconsequential. "Shades of the prison-house" may begin to close, as the bard *Wordsworth* observed, "around the growing boy." But this boy refuses to grow up into captivity and prefers to cultivate his own brand of beatific anarchy.

He pretends to be a dog when he *chooses, barking and nipping* at the ankles of friends or relatives. He has a cheerfully confused relationship with a young tomboy, who first seems to be a boy then proves to be a girl. He obligingly reads underwear advertisements in a magazine to bedridden old Mr Arvidsson, who snatches the magazine and puts it under his *bedclothes* whenever he hears *feet on the* stairs. And he is delightfully played by Anton Glanzelius, who *has* a roly-poly *face*, bright eyes and bristly hair, as if he was created by God at the end of a busy day mostly spent creating hedgehogs. The film's tale of *growing up is tender and spiky* both at once elegiac without ever being arch or invertebrate.

★

"They don't make 'em like they *used* to, *t-h-o-s-e g-u-y-s*," warbles the appalling opening song in the almost equally *appalling Tough Guys*. This reunites Kirk Douglas and Burt Lancaster, who now *share* 150 years between them, as two old timers released from a 30-year *jail sentence for train robbing.* Burt is a little thicker round the waist than of yore, but he *still flashes those* buccaneer teeth and makes those baroque big-handed gestures, as of a man fondly about to throttle his mother-in-law. Kirk's face now looks alarmingly tight-drawn and demonic, like a Kirk Douglas mask you would buy *in* a joke shop, but otherwise he is in fair physical trim, as he keeps assuring us in the film by stripping to the waist.

Will our two heroes settle down on welfare and pensions, or will they return to crime and train-robbing? For an hour they *flirt with the first option before* inevitably plumping for the second. Meanwhile the audience gets older by the minute and wonders, as one dud gag or action scene follows another, *if* there are not kinder pastures to which two once great movie warhorses *could be put out.*

Better to frequent the upcoming Piccadilly Film Festival, or to enjoy the bounty and bric-a-brac of the ICA's Werner Schroeter season, devoted to the New German Cinema's master of the oddball-baroque.

Spookhouse/Hampstead Theatre

Michael Coveney

Dante's Inferno, an American domestic freak show and a Coney Island funfair jostle together *in this bitty*, noisy, unapologetically second-rate play by Harvey Fierstein. The elements congeal in Robin Don's ingenious design of tilted plat*forms, leaping flames and* scary spooks and vampire molesters. The text describes the rehabilitation of a crippled problem teenager whose mother *disowns him and may have* pushed him off a roof.

The mother, Connie, is a fairground palmist in Coney Island who deals in cards, curses and *cures. The crippled Wayne is* just one of her battered brood. A 14-year-old punk daughter has strange girl friends and may be pregnant. A younger boy sits droopily in front of the TV, headphones on, smoking. Your average family scene. The play's interloper, Sam the social worker, has time to help out because he is gay, a fruit even, a Jew certainly, and, what is more, a kid from the same neighbourhood.

Spookhouse was a 1984 off-*Broadway flop* and *is* presumably revived in Hampstead's ongoing policy of perversely choosing the least considerable of contemporary American drama because of Fierstein's West End representation with *Torch Song Trilogy* and *La Cage Aux Folles.* Like both of those pieces, *Spookhouse* manages to be proud and tacky about homosexuals in straight society as well as, more interestingly, tapping a vein of poignancy in family relation*ships vitiated* by *deformity* or unconventional social behaviour.

It is that equation of sexual non-conformism with Fellini-*esque physical grotesquerie* that makes of Fierstein's dramatic writing such a troubling, bubbling stew, for he writes from the standpoint of a high-*profile Jewish homosexual*. It is as if he wants to diffuse the taboo of homosexuality, or what remains of that taboo, by smothering it in *really* picturesque handicaps, Jewishness being the first of them.

So far so good, or not so good if you prefer. But what is most vividly conveyed in Robin Lefevre's *studiously* un-Jewish production, is a sense of a plot rambling out of control in a frantically updated conventional social drama: Arthur Miller's Brooklyn Bridge of bowling alleys and the Ink Spots replaced with a junkyard of illusions and hatred where at least incest has stayed in fashion. The still centre, at the start of Act Two, is the long confessional of the returning father (Tom Georgeson) recounting Wayne's drug record, his jail sentence, the implausibility of his having raped a five-year-old girl.

Wayne is an immobile vege*table in a wheelchair who* materialises in a voodoo flash of the freak show, his fate furiously contested by Chris Jury's wimpily considerate *social worker (like* Miller's Alfieri, both agent and witness to tragedy) and the fiercely aggressive Connie of Gwen Taylor. Miss Taylor opens up a new dimension of versatility in keeping a straight face through lines like: "This house may be a back door to hell, but it ain't no garbage dump," or: "In the salad bar of life, being *that way amounts to a couple* of pimentoes."

The Misanthrope/Harlow Playhouse

Martin Hoyle

A rarely performed Molière play, *Le masochiste*, opens with the self-lacerating hero trudging down Allende Avenue, past the gin distillery, *breaching* the defensive system of murderous main roads thoughtfully constructed by planners to repel the almost extinct species of pedestrian, to gain the safety of Harlow New Town. As precinct after identical precinct *nightmarishly unfolds*, those curfew-fleeing stragglers still in the near-deserted streets direct him to the Playhouse. The glutton for punishment then perversely suffers exquisite agonies as the Cambridge Theatre Company's touring pro*duction of The Misanthrope* turns out to be not half bad: spirited, stylish and highly enjoyable.

This is Tony Harrison's version, updated to De Gaulle's Paris. Paul Unwin's production gives an Anhouilh-esque jolt *when ancien régime*-clad revellers behind a gauze follow the Marseillaise with the Kinks as flashbulbs pop. The *quartorze juillet* currently being celebrated is that of 1968. Sally Crabb's set includes a juke-box besides a bust of De Gaulle and a gleam of chrome and black leather. *Très chic, très snob.*

The rhyming couplets for once sound apt in English, especially when delivered with this company's fluency and precision. As opposed to the National Theatre's current *School for Wives*—or his own *Phaedra Britannica after* Racine—Mr Harrison here catches the bobbing resilience carefully weighted with mocking morality (not to mention mock-morality) of the French alexandrine.

Even the aristos are right for this fribble society buzzing round self-important Elysée contacts, recalling the dogged Gallic attachment to titles that has ignored the legislation of umpteen republics including the present one.

On the second night an intelligent young cast kept the mood buoyant for a tiny but attentive audience. Ian Gelder's slave of *truth* (the *title of Miles Malleson's* old translation) catches the right balance: certainly sympathetic but fatally unreasonable as his principal virtue, sincerity, turns to pomposity, then pharisaic self-regard.

Christopher Fairbank's Philinte, the *honnête homme* of moderation and civilised expediency, is obviously right without being smug, a fit mate for Sarah Finch's charming and *sensible Eliante*. With the symbols of reasonableness in safe hands, the backbiters and poseurs must here tread a cautious path between the necessarily grotesque contrast and what might seem artificial in this modern setting. Philip Bretherton's aspirant poet comes off best, as adept at twisting the knife as turning a maladroit phrase. *Tessa Peake-Jones*, an attractive and shrewd actress, underplays the compulsive flirt, Célimène. If anything, we feel slightly sorry for her as, deserted by her suitors, she dances alone round the stage, cigarette-holder in hand, to the farewell *strains of "Love me or leave* me."

Das Rheingold/Zurich

Andrew Clark

When Claus Helmut Drese moved to Vienna last year to become director of the State Opera, he left the Zurich Opera House with a deceptively clean balance sheet. There was a *freshly* renovated *house* with modern technical facilities, a fund of good will among a theatre-going public grateful for conservative artistic policies, and international respect for Zurich's knack of conjuring fruitful alliances, such as that between Ponnelle and Harnoncourt. But his legacy also included his choice of Ralf Weikert to succeed Ferdinand Leitner as music director, and an arrangement whereby Drese would return to Zurich to fulfil a long-cherished ambition, his own *staging of* the *Ring*—a project that would have been laughed out of court in Vienna.

With *Das Rheingold*, these less palatable realities have *finally come into focus*. Like Drese's previous Wagner stagings, the new production indicates there are interesting *ideas* lurking somewhere in the background, but they have been allowed to evaporate during their translation to the elusive world of *living* theatre; and unfortunately for Drese, it is this very process that sorts out the gifted *stage* directors *from* the rest. But whereas in the past decade Leitner was always able to redress the balance in the pit, with Wagner interpretations that were the very opposite of the stodginess on stage, Zurich *must now make do* with a conductor who is hopelessly overparted. Some fine woodwind and brass contributions aside, Weikert supervised the most sketchy and sloppy *Rheingold* I have heard.

Drese understands the first evening of the *Ring* as a mythical world-beginning. The Norns, draped in black, are there from the *start*, and *Nibelheim is* populated by primitive reptilian cave-dwellers. The gods, who bear a passing resemblance to regal waxworks clowns, move with a stiffness that accords well with their status and contrasts with the fluttering winged presence *of Loge, a kind of pre*historic Batman. The giants are Charles Atlas figures clad *in* hide. The quaintly-painted *backdrops include one of* Valhalla looking like a mosque at the time of the Crusades. The designer, Ul de Rico, has made good use of an inner turntable. But the overall effect is stage-bound, particularly in the first scene where the voices of the *Rhinemaidens* are *disembodied* from the cheap choreography on stage.

The production draws on the experience of Heinz Zednik as *Loge, Manfred Schenk as Fafner* and Horst Hiestermann as Mime. The minor gods are solidly cast. Wotan is sturdily sung by Alfred Muff. With the same cast, Zurich would have learned more about *Das Rheingold* in a concert performance *conducted by Leitner.*

Neo-Romantic art at the Barbican

A Paradise Lost: The Neo-Romantic Imagination in Britain 1935-55 is the full title of a show at the Barbican Art Gallery opening on May 21 to *July 19.*

Drawn from public and *private collections from* all over Britain, the *exhibition* will include over 400 paintings, drawings, photos, posters, book-jackets and film stills from the period, representing artists such as John Piper, Paul Nash, Graham Sutherland, John Minton, Cecil Collins, John Craxton and David Jones.

Title Divine/Festival Hall

Max Loppert

At Wednesday's Royal Philharmonic Society concert the Royal Philharmonic Orchestra under Charles Mackerras *gave* the first performance of Geoffrey Burgon's song cycle *Title Divine* for soprano and orchestra. Burgon's choice of six Emily Dickinson poems, his setting of each unit both as a complete entity and as a cycle component, and his ability to score for voice and orchestra in a way that gets almost every word across, are *all* marks of his considerable professional competence and control of means.

Competence is always preferable to *its* opposite; the piece was grateful to hear—and, in Heather Harper's account of the *soprano part, it* gave the *impression* of being no less grateful to sing. But for much of its course *Title Divine* is more than "merely" competent. The best Dickinson settings (and here I immediately call to mind Copland's) manage to strike a balance between *naive rapture* and translucency of diction while avoiding the potential embarrassments of gush or whimsy. In such a reading of "There came a Wind like a Bugle" as Burgon has here achieved, the orchestral imagery conjures up a scene which is also a poetic frame — and the voice part, in clear, disquieted short phrases, fills it out. The proper balance is *struck.*

The *same* nice sense of balance recurs in the fourth song, "It was not Death," which ticks away in fine pizzicato points; and in the closing "I went to Heaven," which has an almost Virgil Thomson-like C *major glistening sweetness.* Elsewhere one sometimes wonders whether Mr Burgon's *facility* with ostinato patterns has solved the Dickinson song problem a shade too easily—on Wednesday I felt that the fifth song, "It was a quiet way," *lacked the intensity that* a more dissonant harmonic palette might have provided. But all in all *Title Divine* can be counted a welcome addition to the small number of recent song-and-orchestra compositions that are not just "approachable" but *fresh and interesting.*

Winifred Nicholson at the Tate

The Tate Gallery is to hold the first full retrospective of the work of Winifred Nicholson, who died in 1981, from June 3 to August 2.

Checkmate/Covent Garden

Clement Crisp

Checkmate celebrated its 50th birthday on Wednesday as part of the Sadler's Wells Royal Ballet season at the *Opera* House. The performance was clean, excellently rehearsed, strong; Dame Ninette de Valois came on stage for a standing ovation at *curtain fall*, and one may be excused for wondering if, when the piece was new, she anticipated such longevity for it, or such illustrious surroundings for its golden jubilee. History tells us that what plans she made for her company were securely based and have proved enduring; it tells us also that her own choreographic gift, and the artistic good sense which chose Arthur Bliss and McKnight Kauffer as her collaborators, were no less wise.

Checkmate is, of course, a work of its time, when Europe was already shadowed by war. Its merits now are not only those of its components—would that today's company could boast *such fine ingredients for* its creations! — but also of the ballet's response to the spirit of its age. It is part of the nation's aesthetic heritage, and last night's interpretations, with Roland Price the Red Knight, *June Highwood the Black* Queen, David Bintley the Red King, were in an honourable tradition and meriting our praise. *Checkmate* should last another 50 years, not for any reasons of sentiment, but because it is well-made and speaks the truth.

A different kind of truth was on view in the closing *Paquita* of the evening: that of classic dancing at its most uncompromisingly brilliant. At the heart of the performance was Merrill Ashley, providing the essential *ballerina presence to fire off* this Brock's benefit of transcen*dental steps*. Her dancing was grand in outline, glittering in finesse, and quite irresistible.

Her partner, Petter Jacobsson, was also in magnificent form, producing feats of virtuosity with *entire* ease, and in two of the soloists' variations Sandra Madgwick and Miyako Yoshida offered us beautifully cut and beautifully set jewels of dancing. They might well have been trained by Fabergé.

Michel Debost/Wigmore Hall

Dominic Gill

Michel Debost is a distinguished French flautist (he was appointed principal flute of the Orchestre de Paris when he was 25) who has followed a varied and successful *solo career* outside his native country, especially in America. The sonority is the clear, clean, silvery timbre of the experienced orchestral flute player—not so subtly modulated, or so richly coloured, as the finest solo flute tone *can* sometimes be, *but* thoroughly wholesome and impeccably polished.

He began his recital on Wednesday evening with Weber and Schubert. Our programme-note pointed out—somewhat wryly in the context—the undeniable impoverishment of the solo flute repertory "for rather more than a century after about 1750." The Weber (no.3 of a set of six sonatas) is an arrangement of an original for violin; the Schubert, a little cavalier set of Variations on *Trockne Blumen*, is third-rate Schubert, and hardly even delectable.

Mr Debost was obviously and generally at home—which is to say less obviously and genially at work—in the early 20th-century repertory. He gave Poulenc's sonata (1957) with simple charm—and with the same robust silvery timbre he had used *throughout* the Schubert. Short pieces by Roussel and Widor followed (the 50th anniversary of the death of both composers is celebrated this year)—Roussel's *Joueurs de flûte* had a nice, authentically boisterous ring; and Widor's op.34 Suite—the third-movement Romance especially—had a most attractive salon graciousness. *His* accompanist was Ichiro Nodaira, inscrutable, efficient.

Saleroom/Antony Thorncroft

Gould is dispersed

Sotheby's offered a very choice item yesterday—John Gould's personal *copy of his* celebrated bird books with their colourful illustrations. It was hoped that there would be one buyer prepared to pay up to £400,000 for the 13 works, but it was not to be and they were unfortunately broken up, realising £387,485 for the vendor, the great grandson of Gould.

The top price was the £121,000 paid for the eight volumes of Gould's "Birds of Australia," with 681 lithograph plates, while his five volume survey of humming birds made £49,500. Another, separate work, by Gould, "Mammals of Australia," in three volumes, fetched £35,200.

The auction of atlases, travel, and natural history books totalled £1,026,080. A collection of 27 lithographs by Cozens of yachting scenes, published in New York in 1895, was on target at £27,500, to Antipodean Books of New York, and a collection of sporting and humorous designs, by Henry Alken, *published by Thomas McLean* in 1824, was just within estimate at £27,500.

Time

One aging pop star, David *Cassidy, has replaced* another aging pop star, Cliff Richard, in *Time*, the musical aberration at the Dominion Theatre. He looks cute, and sings in tune, *and little more is asked* of him, notwithstanding the fact that he is compelled by Dave Clark's plot to represent the earth before the Judges of the Universe and *justify its* continued existence. Fortunately, he can plead rock music as our contribution to galactic happiness, and we are saved.

The *special effects* are stunning; the dialogue is witless; the direction static; and the costumes diverting—everyone in outer space wears a cricket box. Lord Olivier *continues to play* God as a lightly boiled egg. AT

Arts Week

Continued from Page 22

Exhibitions

gestions to solve overcrowding, urban decay and uncontrolled development. Far from being futuristic, some of the projects hark back to the original city plans, in the case of Rome, suggesting a re-division of the city into seven distinct centres based on the *ancient Roman city* plan. Ends May 17.

Rome, Palazzo Braschi: Glenn Gould: "I am not an eccentric": a fascinating introduction to the work of the Canadian pianist/composer, with audio/visual displays of Gould in concert, photographs chronicling his *life, and selections from his* essays and articles. Until May 3.

NEW YORK

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 50 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a *special show* on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early *20th centuries, as* demonstrated in the 80 pieces of various shapes and designs. Ends May 31 (91st & 5th Ave).

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

WASHINGTON

Hirshhorn: *30 paintings from* the permanent collection trace the use of bridges as symbols of modernity and *the* past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lozowick among others. Ends May 24.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

TOKYO

Hara Annual Contemporary Art Exhibition: Works by well-known Japanese artists include sculpture, painting, photography and laser-video art. Toshikatsu Endo's dramatic canvas dominating the entrance and the graded colour prisms of Hisashi Momose are noteworthy. Japanese *fantasy and whimsicality* are given full play in Hiroshi Egami's gravity-defying sculpture mobile. For the best representation of today's art don't miss the laser and synthesiser piece by Keiichi Tanaka and Takashi Kokubo. Given its own magical space (Room E), the notice in Japanese invites you to enter to experience the hypnotic and relaxing effect. The Hara Museum, near Shinagawa Station, Takanawa Prince Hotel exit. A small museum set in a pleasant residential area, its garden and cafe aid the digestion of the work of Japan's young artists. English catalogue and publications available. Ends May 10. Closed Mon days.

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly *version of Laclos' epistolary* novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit.

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (*Apollo Victoria*): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (*Drury Lane*): *No British* equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanisch actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female household oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call of some of the best actresses around – all eclipsed by the ineffably touching Julie Legrand. (437 1592).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (*Majestic*): *An immodest* celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the *songs are used as* situations rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture of feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (*O'Neill*): *Roger Miller's* music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Les Misérables (Broadway): Led by Colm Wilkinson *repeating his* West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pagenatry and drama, if not strict adherence to its original source. (239 6200).

CHICAGO

Tempest (Goodman): Company artistic director Robert Falls directs Denis Arndt as Prospero in a new production with sets by Adrianne Lobel Ends May 29

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

Ourselves Alone (Arena): American premiere of Anne Devlin's drama of three women trying to balance personal and political conflicts in Northern Ireland stars John Leonard, Heather Ehlers, Randy Danson and Christina Moore, directed by Les Waters. Ends May 19. (488 3300).

Kennedy Center: Imagination Celebration 1987, a nearly month-long pageant of mime, music and dance centres round a production of A Child is Waiting, about disabled children, along with two presentations of the myths of North American Indians. Ends April 29. (254 3600).

Opera Comique (Eisenhower): Anne Jackson and Eli Wallach star in *Nagle Jackson's new comedy*. Ends June 6. Kennedy Center (254 3670).

TOKYO

Noh: *The Lady Aoi*, by 14th century playwright and founder of present-day Noh, Zeami. Lady Aoi is possessed by an evil spirit. A soothsayer attributes the cause to jealously. A priest exorcises the spirit who then in typical Noh style, takes the stage. A ferocious, horned, demon, he is the traditional Japanese symbol of female jealously. Priest and demon struggle. The latter is overcome and Lady Aoi is cured. A rare opportunity to see the splendid and solemn Noh midweek in an unconventional modern space. Stars two of Noh's most important actors, Hideo Kanze and Nomura Takashi Parco Space Part 3, Shibuya (Mon, Tues, Wed, Thurs). (477 5858).

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Democrats gather steam

THE US STANDS at a quite extraordinary state in its contemporary political life. Eighteen months before the next presidential election neither major party has an heir apparent or even a clear cut favourite to succeed President Reagan. Nor do any of the multitude of pundits have much idea who will run against whom next year. Compounding the problem, the Democratic Party has new primary rules which may render academic previously tried tactical methods. Not since 1951 has the presidential contest been so open at this stage and even then most short-lists of pretenders were much shorter than the number of declared and latent candidates that exist today.

All that can be said with certainty at present is that the divisions inside the Republican Party between the centre and the right are more sharply defined and much less subtle than *obtain inside the Democratic* Party. The only other predictable is that the state of the economy, and the prescriptive policies that will be put on display, will weigh heavily with the electorate. Given that the Republican *Administration* seems currently bereft of ideas and that the Democrats in Congress are intent on asserting themselves, the greater policy interest now centres on the party which does not inhabit the *White House*.

Nominal leader

In spite of the crushing of Mr Walter Mondale in 1984, the keepers of the liberal faith inside the Democratic Party are alive and well. Should the economy collapse, their appeal must surely rise in proportion. Moreover, they still possess some of the most effective spokesmen in the land, even if their standard bearers—Senator Edward Kennedy from Massachusetts, Governor Mario Cuomo from New York and the Rev Jesse *Jackson*—are, as of now, either officially not running or considered too much on the fringe to gain the presidential nomination. At the very least, all will need courting, a judgment that would not have been generally made on election night in 1984.

But that debacle has brought *other subdivisions to the fore*, all conscious of the need to sell alternatives to the conservative policies that have flourished for most of the Reagan presidency. Former Senator Gary Hart from Colorado, who declared his candidacy last week and who ran Mr Mondale close in 1984, is the nominal leader of what some call the "rejuvenators" and others the "lean deal" Democrats. Their policies are idealistic, but not ideological, and more than a touch technocratic (industrial planning, for one); they believe in economic pragmatism and oppose protectionism (bravely, given the prevailing wind); they are more worried about Japan than the *Communist threat, but they would*, in the right circumstances, use US forces overseas. Senator Joseph Biden from Delaware, very much of this wing, sometimes sounds like President Reagan in his discourses on the *country's potential*.

If Mr Hart and Mr Biden are, to conventional Democrats, outsiders, most of the prospective candidates are somehow related to the Democratic Leadership Council, created in 1985 specifically to rescue the party from liberal hegemony. Their perception, formed when Reaganism was rampant, was that the party faced an indefinite period in opposition unless it proved itself competent to govern again, in other words to get rid of the "tax, tax, spend, spend" label which the President had so successfully fixed on them.

Integral to *their* approach was the need to get Democrats elected, rather than to serve as guardian of the nation's conscience. They succeeded with a vengeance in this respect, especially in the South, in last year's *midterm elections and* now are a force to be reckoned with on Capitol Hill.

Their ranks include a number of very successful, professional politicians—Senator Sam Nunn from Georgia and Senator Bill Bradley from *New Jersey, Congressman* Richard Gephardt from Missouri, former Governors Bruce Babbitt from Arizona and Chuck Robb from Virginia and incumbent Governor Michael Dukakis from *Massachussetts. Their policies* do not fit neat categories; Mr Gephardt has written one of the most protectionist bills to be placed in front of Congress, while Mr Bradley is an authority on debt and taxes *and Mr Nunn on defence issues*.

The combination of these forces and ideas, plus the presence of quixotic radicals like Senator Paul Simon of Illinois, seem to suggest that the obituaries written in 1984 of a party *that I ha drun out of steam* were premature. Where they lead, and who ends up leading them, ca nonly be guessed at, and, in any case, will be determined by a number of other factors which the Democrats *themselves can only partly control*. But the process will not be sterile.

The rights of shareholders

AS A matter of principle, shareholders' rights deserve to be supported. Aggressive corporate treasurers and rule-bending investment bankers tend to have too much of their own way. But it is more debatable whether *pre-emption rights should be* the main battleground.

UK company law protects shareholders' rights, notably in the area of issuing new equity. But in practice the institutions allow some flexibility in capital creation through annual shareholders' resolutions. Usually there is a 5 per cent "headroom" in the form of equity which can be issued without calling a special shareholders' meeting.

Last year there were arguments over some big domestic vendor placings which tested or breached these limits. In the end an agreement was patched together whereby they would be accepted subject to "*clawback*," *that is, existing* shareholders could claim their appropriate proportion of the newly issued stock.

International dimension

Now the controversy has acquired an international dimension. Investment banks have discovered the global equity market and want to make placings of attractive equities such as Fisons and Barclays Bank in the US, Japan and elsewhere.

In these foreign markets the clawback formula cannot apply. The British institutions have suddenly woken up to what is going on, and several planned overseas placings such as for Fisons and Beazer have had to be abandoned or sharply reduced in size because of *institutional threats to block the* required increases in authorised capital. Curiously, convertible Eurobond issues which breach the 5 per cent limit seem to arouse fewer objections than straight equity offerings.

In this situation, much humbug is being talked by merchant banks which have bent the limits and attracted an institutional backlash.

Lucrative commissions are attached to *these international* equity offerings, and it is understandable that a the loss of both face and fees is irksome. But *the argument by these issuing* houses that British companies will somehow become the outcasts and paupers of the international capital market is self-serving nonsense.

What is more serious is the *reminder that a gulf exists* between corporate treasurers and their major institutional shareholders. The financial officers of companies tend to treat equity as just another form of finance, to be issued freely if it has a lower cost than other types of capital.

But British investment institutions still believe that shareholders have proprietorial rights, including the right to reject any dilution of their stakes, or the issue of shares to outsiders at a discount.

The proprietorial model is all very well, but it needs to *be consistently applied*. The carefree attitude of corporate treasurers to equity creation is a reflection of the carefree approach of institutions to buying and selling shares. If there is no commitment on the *one side*, why should there be on the other?

Another aspect of corporate governance was highlighted this week with the publication of the Pro Ned code of practice on non-executive directors. But where *is* the practical initiatives by the investment institutions to provide boardroom representation?

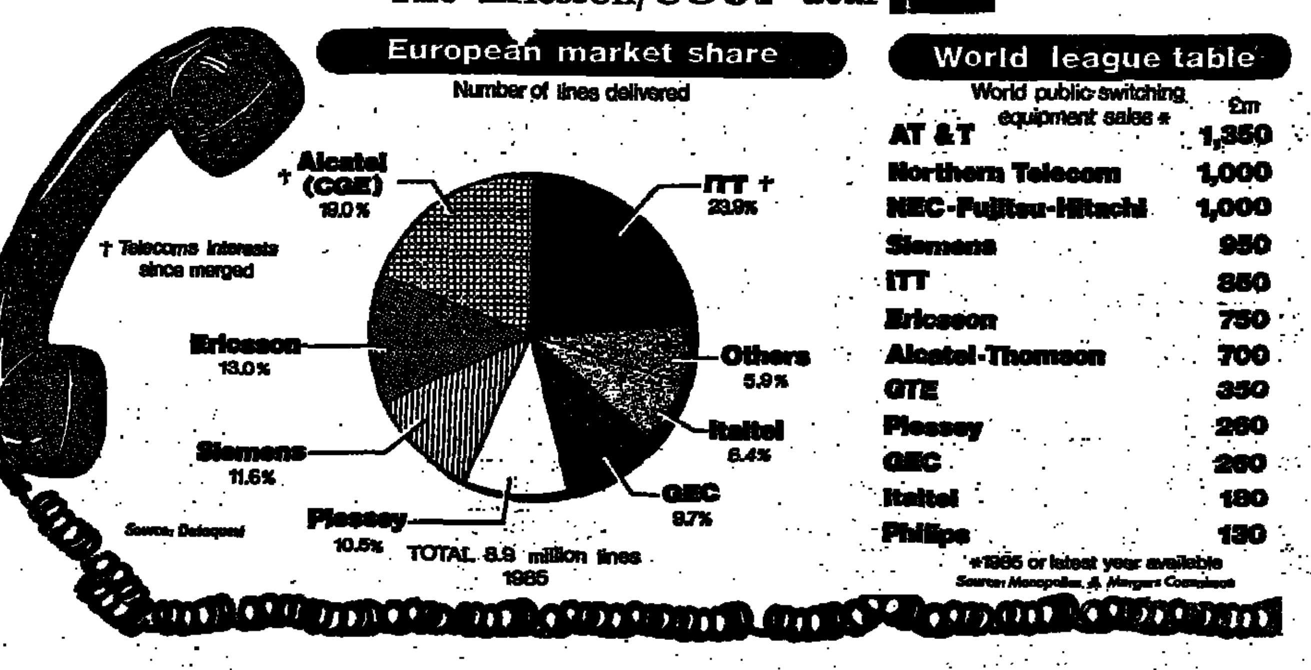
Narrow issues

Where were *the institutions* during the Guinness affair? Mostly voting enthusiastically for Mr Ernest Saunders, it appeared, notably during the controversy over the rejection of Sir Thomas Risk as chairman.

The point is that the investment institutions are well structured to respond to narrow investment issues through their investor protection committees, but are very *poor* at coping with broader corporate responsibilities.

Unless the institutions are able to define a broader role for themselves in corporate governance, and become much more widely known and respected in boardrooms, they are bound to suffer a further erosion of their influence.

The Ericsson/CGCT deal



World league table

World public switching equipment sales*	£m
AT & T	1,350
Northern Telecom	1,000
NEC-Fujitsu-Hitachi	1,000
Siemens	950
ITT	850
Ericsson	750
Alcatel-Thomson	700
GTE	350
Plessey	260
GEC	260
Italtel	180
Philips	130

*1985 or latest year available
Source: Monopolies & Mergers Commission

An inspired piece of commercial politics

By Terry Dodsworth and David Thomas

"THE *longer this row* continues, the more likely we are to see an outsider emerge as a compromise candidate." That is how a senior executive recently summed up the battle for Compagnie Generale de Constructions Telephoniques (CGCT), the French public exchange manufacturer which controls 16 per cent of the domestic market. Yesterday, the outsider, *Ericsson* of Sweden, duly won knocking out the two warring contenders, American Telephone and Telegraph of the US, and Siemens of West Germany in an eleventh-hour decision that had politics written all over it.

Both Ericsson and the French authorities were yesterday emphasising the virtues of the Swedish company's switching technology. But the fact, remains that the French decision is a neat solution to an industrial confrontion which was threatening to embroil the US, France and West Germany in a recriminatory battery of trade embargoes.

It is possible that elements of this trade war will rumble on for some time. But it is difficult to escape the conclusion that the *French* have effectively sidestepped the main complaints of the Americans over the sale of CGCT.

AT&T had objected to the way in which the negotiations were conducted on the ground that the *French Government* was leaning towards a deal with Siemens as part of a European market-sharing deal that would exclude the Americans: Siemens would receive CGCT and a stake in the French market in return for the recent *takeover* agreement which allowed Alcatel of France to capture a significant slice of the West German public switching market through the acquisition of ITT's telecommunications business.

To back up these objections, the US Federal Communications Commission, the industry's regulatory agency, threatened to block Siemen's expansion in the American market. But since *Siemens* has not won in France, it is hard to see how it can still be regarded as an enemy.

"The Americans may be upset but not as upset as they would have been if Siemens had been chosen: and *Siemens* may be annoyed, but not as much as it would have been if it had been excluded from the US market," says Mr Ed Mier, an analyst at Dataquest, the market research group.

Ericsson has therefore emerged victorious partly by being a neutral in a political battle. But it has also won by employing the talents that have turned it into one of the heavy hitters in the big league of world telecommunications companies *from an improbably* small base in Sweden — strong technology, flexibility, opportunism and a sure-footed knowledge of world markets.

"Ericsson was excellent in its presentation to the DGT (the *French Direction Generale des* Telecommunications, which vetted the rival switching systems), much better than AT&T or Siemens," says one of the French officials involved in the talks. "It was very professional, *gave us all the appropriate* information, and above all had a feel for dealing with a foreign organisation. AT&T has no experience in international business and it shows."

Ericsson's skills overseas have kept it *among the industry's* leaders largely by penetrating peripheral markets, away from the big industrialised countries which have traditionally put their switching systems in the hands of local suppliers. But in the Swedish company's two *latest moves it has* advanced into some of the most populous European countries, first, the UK, where it linked up with Thorn *EMI* in a joint venture to become the second supplier to British Telecom, and now *France*.

These deals place Ericsson among the top ranks of suppliers within Europe, giving it a sound footing from which to tackle the triad of markets — Europe, the US and Japan— where all the leading contenders believe they have to expand.

However, the agreement is a serious setback for AT&T, which has established a joint company with Philips of the Netherlands *in an attempt to* break into the European market. Enormously strong in the US, where it shipped 6m lines for a market share of 45 per cent in 1985, AT&T is a firm believer in the triad outlook, but has so far gained only a toehold in countries outside its home base.

Yesterday, AT&T-Philips *insisted that the joint venture* was not in jeopardy, but the failure to win the CGCT battle, on which AT&T in particular has expended a great deal of energy, is bound to reopen doubts about the consortium's *future*.

In 1985, the group lost Fl 92m (£27.6m) on sales of Fl 680m, and *its* 1986 figures are expected to show a deficit of about 10 per cent on sales. "It depends on the stamina of AT&T and its commitment to things international, but there must be a limit to how long it is prepared to go on losing money," an industry executive said yesterday.

The French decision also throws into relief the position of other manufacturers who are now firmly in the second league in the European switch market behind Alcatel-ITT the clear leader, and Ericsson and Siemens fighting for second place. That category includes GEC and Plessey of the UK, Italtel of Italy and Northern Telecom, the Canadian company which, although a major force in North America, is still struggling to become a big player in Europe.

Most of these companies were yesterday downplaying the direct significance of the CGCT decision for them. However, it will be surprising if it does not add further urgency to the discussions which many have been holding about forging alliances to spread development costs and win greater marketing muscle.

Ericsson has featured in many of these discussions and the CGCT decision could actually make the company more, not less likely to seek alliances as Ericsson may find it difficult to make money quickly out of CGCT.

"The CGCT *decision will have* no negative implications for discussions about alliances. If anything, Ericsson *will be looking* for support from other European partners," Mr David Dey, managing director of Plessey telecommunications said yesterday.

These alliances may not necessarily come in public exchanges — that market in Europe is gradually closing. Siemens and Alcatel between them share the German market; GEC, Plessey and Ericsson *supply* British Telecom; and now Ericsson will divide the French market with Alcatel.

But as one industrialist said yesterday: "We are not just talking about switches any more." Sales of transmission equipment, *terminals*, and add-ons are growing in importance, and would well be the sort of products on which alliances are built.

Indeed, as a result of huge modernisation programmes launched by many telecommunications operators, sales of public switches are set to decline in many markets. In France revenues from public exchanges are likely to fall from $370m (£227m) in 1985 to $353m this year and to $240m in 1990, according to Dataquest. Declining sales, high development costs and extra competition is bound to put pressure on prices and profits.

Yet public switching remains at the heart of the telecommunications equipment business —which helps explain why the *acquisition of* a relatively small French switch manufacturer sends ripples through the whole industry. This focus is partly for sound commercial reasons: there is no better entry card to a telecommunications operator *than the sale of a public* switch. A manufacturer is usually able to follow it up with the sale of a host of subsidiary equipment.

But it is also partly for emotional reasons. "All *telecommunications equipment* manufacturers have an element of machismo and selling public switches is the most macho thing you can do in this business," one insider explained yesterday.

Or as another senior equipment manufacturer put it: "The telecoms world is full of people who go on with projects that rational people would say are not worth the candle."

TIMELY MOVE INTO THE MARKETS OF THE FIRST WORLD

ERICSSON'S success in winning control of a hotly contested share of the French *telecommunications market* is a key strategic move.

Although among the top suppliers of the most advanced telecommunications equipment, Ericsson's traditional strength has been dispersed among dozens of Third World markets.

"Ericsson wants to move *into First World markets* and France is an excellent place to go," says Francis McInerney, an analyst with Northern Business Information in New York. "This is very good news for them."

France in 1985 accounted for 12 per cent of a $3bn (£1.8bn) European market *for large telephone* switching equipment, and will be worth a tenth of a $2.4bn market in 1990, according to *estimates* by the market research company Dataquest.

Ericsson has about a fifth of the Italian market and 15 per cent of the big UK market. "Ericsson has now become a European strength," *says* Dataquest's Ed Mier. "It is consolidated across Europe."

The company says it has already placed 900,000 lines of its flagship AXE digital switch in service in France, under deals made before 1984. It will now supply upgraded versions of the AXE, phasing out use of CGCT's older-technology machines. "We will train the people in CGCT to use the AXE," the company says.

Access to markets in Europe and the US, where Ericsson has also made small but significant advances, is important for several reasons, including sales volume, reduced worries over debt and credit, and the more competitive nature of the markets—particularly in the US—that drives technological advance.

To compete in the US, Ericsson has had to develop so-called Centrex capability *that makes it possible* for a telephone company to offer business customers lucrative special services, such as call-waiting, automated dialling, conference calling, and eventually data transmission. *Switching sales guaranteed* by the CGCT deal—"are just one of a number of moves Ericsson would make in *France*," *says Dr Annette* Nabavi, consultant at PA Computers and Telecommunications in *London*.

Another key attraction of European and US markets is the assurance of access to high-margin value-added services and after-market sales.

Sales in Third World countries often involve extensive joint venture and licensing agreements. Ericsson, with a small home market and a traditionally fervent export mentality, would do "basically whatever you want in your country" in terms of joint arrangements, says McInerney. But that can have costly side-effects, severely limiting direct access to customers over the *long term, he adds*.

In Third World markets "Ericsson has limited access to really working with customers" *to provide higher-margin services, product upgrades* such as new software, and additional devices, says *McInerney. Such add-on sales, he adds*, can amount to "twice as much again" as the initial deal.

Ericsson has installed over 11m lines of the AXE digital switch world wide, making it roughly equal with AT&T in the new digital technology field and behind industry leader Northern Telecom. Another 7m AXE lines are on order. But these sales span some 100 countries, with manufacture taking place in around 17.

The French award is *especially good news for* Ericsson after a difficult financial period of declining profits and high costs.

An ill-starred expansion in 1982 into business information systems resulted in three years of steep losses. Profitability in the company's public telecommunications sector, its chief business, has been under pressure because of the development costs on the AXE and highly competitive markets.

However, the company restructured last year, and an upturn seemed under way by *the second half*. For the year, profits rose slightly. Also its costly drive to penetrate the US market is finally paying off. After months of pursuit, Ericsson has secured a $20m sale of AXE switches to US West. *More deals are believed* imminent.

Jane Rippeteau

Men and Matters

Prior's call of duty

GEC chairman, James Prior, made a startling discovery at the company's telecommunications factory at Aycliffe, Co. Durham yesterday.

Staff were proudly displaying some of the company's latest models of telephone handsets and showed him one which is going to be retailed soon at only £19.95.

This will be used to attack British Telecom's rental market and people with several extensions stand to make considerable savings after covering the initial costs. The penny suddenly dropped for Prior—he was well and truly in the target group of customers.

He reckons that with his domestic and farming interests his personal telephone network has grown to no fewer than 20 handsets, all of which he rents from British Telecom at a total cost of about £280 a year. For £399 he would be able to buy enough of the new GEC models to do the job and be quids in pocket after less than 18 months.

However, there is a problem. "I am going to have to play this diplomatically," he confided. "BT is our biggest customer and I will have to be very careful about not upsetting them."

He can hardly duck the issue. If he sticks with the rented phones, what sort of an advertisement will that be for GEC's new models and the campaign to sell them?

It seems a real dilemma. The stuff of politics, no less. Where does his duty lie? To the customer? Or GEC? How can be best serve GEC's shareholders? Perhaps we can look forward to a paragraph on practical questions in moral philosophy for company chairmen in GEC's next annual report — and the answer to this one, of course.

"Apparently you get more if it's linked to the opinion polls rather than the rate of inflation"

Race for gold

The prospect of the young turks of the City, whose pulses race at the thought of Samurai bonds and the endless digits of their golden handcuffs, expending effort and energy on good deeds and worthy causes seems bizarre.

But that is exactly what six teams of fund managers have been doing since September when the Great Investment Race began.

For the last six months teams from Hoare Govett, Messel, Fidelity, and the Prudential in London, Bell Lawrie in Edinburgh, and Nomura in Tokyo, have invested their time and talent — and risked their reputations — competing to see which can make the most money for charity by managing a £35,000 portfolio for a year.

The race has just passed the halfway stage, and the teams have increased the original portfolio of £210,000 to £582,000. The leaders of the field, Fidelity followed by the Pru, have already quadrupled their money —to *£164,513* and *£152,999* respectively. The tactics favoured by both teams are, to say the least, opportunistic.

Fidelity has been wildly speculative in the Far East, while the Pru has ploughed in and out of the risky futures markets.

At least one of the teams has stuck to the straight and narrow. Bell Lawrie is lagging behind the rest of the field but has stuck to its guns by managing the portfolio in the same way as it would for any other *private client*.

Bell Lawrie might be called the laggard of the race, but, as its managing director, Derek McIntosh, points out, 40 per cent growth to £48,915 in six months, is not to be sniffed at. Moreover, he says, the race has been fun.

Prudential Unit Trust Managers, which put up the starting stakes, *is game for another* race next year. And so is Bell Lawrie.

Malay melee

Riding high at the top of the best-seller list in Kuala Lumpur for the past few weeks has been Jeffrey Archer's "A Matter of Honour." It could, of course, be just a coincidence that the novel's runaway success has come during the most bitterly fought political struggle in recent Malaysian history but the *former deputy chairman of the* Tory Party might feel more than a passing sympathy for the victims of the campaign's excesses.

The battle for the presidency of the United Malays National Organisation carries with it the prize of Prime Minister. The incumbent for the past six years, *Dr Mahathir Mohamad, (he of* "Buy British last" fame), is being challenged by past and present Cabinet colleagues not just for his job but for control of the entire party machinery.

The mud-slinging has been fast and *furious*, and the photocopying machines have been running hot, turning out the anonymous poison-pen letters which characterise Malaysian elections. Allegations of fraud, corruption, nepotism, marital *disasters and bizarre sexual* deviations abound, while the candidates themselves emphasise their commitment to national unity and the search for consensus.

Mahathir's aides, confident of *victory, promise* that heads will roll after the result is announced today. But they will also be magnanimous in their hour of triumph. "When the Malaysian national soccer team goes two goals down, everyone *knows there is no chance that* they will fight back," said one of the Prime Minister's key supporters. "It is the same with these people challenging Dr Mahathir. They will be finished, so we would not rub it in."

But the only certain victor is the legal profession. Writs for libel are being thrown around like confetti. For the lawyers, the end of the campaign can only bring a deep sense of loss.

Shop price

About £170,000 will pay for the *privilege of treading in the footsteps* of history. The childhood home of Margaret Thatcher is up for sale.

There is no immediate rush of buyers and the sale is difficult for Druce, the agents, to handle. If the Thatcher connection did not exist, the 19th century premises "would be just a *small restaurant in a rural* town."

So what is the Thatcher connection worth? That £170,000 covers a three storey corner property and the restaurant fixtures but no goodwill because the restaurant went too high up the market — "traditional English fayre"—for the citizens of *Grantham, Lincolnshire*, and stopped trading last August. If the Conservatives win a snap election the value might go up. "Difficult to quantify," says Druce.

When the Thatcher parents had the property during the inter-war years it was a grocery and sub-Post Office. But since *then it has been an antiques* shop as well as a restaurant.

Observer

POLITICS TODAY

Reasons to vote with heart not head

THE ARGUMENTS for tactical voting in the forthcoming British general election are being advanced at two levels.

The first, and more sweeping case, is that anything is preferable to the return of Mrs Margaret Thatcher's Conservative Party with an overall majority, and that therefore Labour and Alliance supporters should pool their efforts to defeat Tory candidates. Sometimes that would mean Labour people voting Alliance in order to keep the Tory out; sometimes Alliance supporters would have to vote Labour for the same effect.

The more modest case is that in a constituency where there are two front runners and your own favoured party is almost certain to come third, it might be worth casting your vote for the candidate of your second choice in order to have more influence on the result.

I shall discuss the sweeping case first, then say a few words about the modest variant, before concluding that it is in the real interests of all the parties, to seek to maximise their percentage share of the vote — though that may not turn out to be how the electorate preceives it.

"Sweeping" is not too strong a word. The case is put forward by Professor Eric Hobsbawm in the May issue of Marxism Today, is apparently backed by Mr Frank Field, Labour MP for Birkenhead, and is about to be supported by the magazine New Socialist, which counts as a Labour Party publication.

Professor Hobsbawm, still a member of the Communist Party, pulls no punches: "The defeat of the Thatcher Government," he writes, "is the essential task in British politics, and should have absolute priority over any other aim and political calculation."

He goes on: "There is only one logical conclusion for those of us who put the defeat of Thatcher first. It is, in every constituency, to vote for the candidate who offers the best chance of beating the Tories, whether Labour or the Alliance."

Hobsbawm has a good record in chronicling the decline of the Labour Party over the years. He now thinks — and he may be right — that "the body of *unconditional support on which* the party can count today is no larger than it was in 1983, and may by now have crumbled a bit more. We can no longer safely count on more than a quarter of the electorate unless there is a genuine Labour revival."

Note, however, the extreme nature of his message. What he is saying is that any, but any, combination of forces in the new Parliament would be preferable to Mrs Thatcher being returned again with an outright majority. That would include the possibility of the longs essentially to the centre-left of British politics. I wonder how far that is true of all of its leaders—Dr David Owen, for example—or all of its voters.

It is a commonplace—Hobs*bawm repeats it—that Mrs* Thatcher really leads a minority government because it was elected with only around 42 per cent of the vote. Nearly 58 per cent voted anti-Tory. Yet there is another, equally valid way of looking at the same figures. Over 70 per cent of the electorate voted anti-Labour in 1983. It is by no means self-evident that the Alliance would want to serve under an administration headed by Mr Neil *Kinnock, the Labour leader.*

Indeed some Alliance supporters would say quite firmly that they are out to displace

Malcolm Rutherford discusses the inscrutable art of tactical voting

Ulster Unionists having a say in the shaping of a government.

It overlooks the strong probability that Labour and Alliance Members of Parliament might not wish to unite and that the Alliance itself might be divided. It seems to *me like a recipe for parliamentary anarchy.*

The only good thing I can think of to say about it is that it is an attempt to bounce the leadership of the Labour Party and the Alliance into a recognition that sooner or later there will have to be a further process *of political realignment,* if there is to be a credible opposition to the Tor

There are some other practical flaws in the argument. First of all, the Hobshawm thesis is based largely on the assumption that the Alliance be-

Labour as the alternative party of government, not to shore it up. The long-term interests of the Alliance lie in Labour's continuing decline.

There are also practical difficulties in the constituencies. Tactical voting in by-elections is one thing. The media are *ubiquitous: there are frequent* opinion polls and it is possible to trace the vote moving.

Besides, there are so few by-elections nowadays that they are no longer an accurate guide to voting intentions at a general election. Almost the only consistency they have shown since the beginning of the Liberal revival in the late 1950s is the tendency of the third party—now the Alliance—to do rather well. The electorate is not voting for a government, but having a fling.

In a general election, it is quite different. A body called Centre for Electoral Choice, headed by Lord Young of Dartington, who played a large part in writing the Labour Party *Manifesto of 1945,* is trying to promote more constituency *opinion polls this time, but one* doubts whether there will be the constant flow of local information that is available at by-elections.

Moreover, it will not always be obvious what the Labour or Alliance voter who wants to keep the Tory out at any cost should do. Take the constituency of Dewsbury in West Yorkshire: the Conservatives won it last time with 39.4 per cent of the vote, Labour polled 35.3 *per cent and the SDP 25.3* per cent. Do the Alliance supporters go to Labour or do they hope that the Alliance will be rising so fast that Labour supporters will come to them? There are lots of constituencies like that all over the country. It is very hard to see that any clear and acceptable guidance will be given.

Not least, it is almost inconceivable that the Labour leadership will back the campaign for tactical voting. To do so would be to concede a Labour defeat in advance. Indeed the very existence of the campaign must *do Labour harm, for it looks* as if that is what some of the party's supporters have already done. So far as I know, there has been no compensating gesture from the Alliance.

So much for the sweeping case for the tactical vote: it looks impracticable and its *likely principal effect,* if there is one, will be to inflict further damage on the Labour Party.

The modest case, however, is rather more feasible, though it should be said at the start that it is not solely to do with keeping the Tories out. It is about making the most use of a single vote.

What you need essentially is a constituency where your preferred party is lagging behind and everybody *knows* it has little chance of winning. Take Sheffield Hillsborough as an illustration. Labour won with

37.2 per cent of the vote last time. The Liberals came second with 34.5 per cent and the Tories third with 28.3 per cent. It would be perfectly understandable for some Tory supporters to switch to the Liberals in the hope of securing an Alliance seat in Sheffield.

This kind of tactical voting has been going on for a long time, perhaps especially in the south. In Richmond and Barnes, *for example, the Labour vote* last time was down to 7.1 per cent. The Liberals polled 46.4 per cent and the Tories just scraped by with 46.5 per cent. Clearly the Labour vote has been steadily defecting to the Liberals as the best way of defeating the Tory. That is tactical voting as it has been practised for years.

There are, in fact, lots of seats in the south where only a small shift to the Alliance could unseat the Conservative. And that is the biggest fear in Tory Central Office: the Alliance might make gains in the south while Labour keeps its grip in the north. It is the contradiction in Mrs Thatcher's hope of eliminating socialism as the second force in British politics: she wants Labour to hold on, and the Alliance to hold off, a little longer.

My guess is that the Tories can afford to lose quite a few seats to the Alliance and still win a comfortable overall majority. They may even lose *hardly any. The most interesting* question about the election, however, is the battle for second place in terms of the percentage share of the vote.

It is worth looking at it from the point of view of the parties. The objective of all of them must be to win the largest share of the vote possible. That goes even for the Tories. For if they can raise their vote above 42 per cent—say to above 45 per cent—they will go some *way to undermining the charge* that theirs is a minority government. It means that every Tory vote counts, even in constituencies where they are in danger of losing their deposit.

For Labour and the Alliance the point is obvious. They need *every vote they can get in order* to be equipped for any discussions on further realignment once the election is over. Thus, a Labour vote in Richmond and Barnes is not necessarily wasted. It goes towards the national count. If the Labour share of the vote overall falls below that of the Alliance, then its future really will be bleak.

That is why one cannot see any of the party leaders encouraging tactical voting. This time every vote matters wherever it is cast, for if a Tory victory can be more or less taken for granted, the percentage cannot. It remains, of course, delightfully open to the electorate to do its own thing and ignore party advice.

Lombard

Incentives and excesses

By Richard Lambert

LEE IACOCCA, the raspingly effective chairman of Chrysler Corporation, had a good year in 1986: his total rewards from the company came to a little over $20m. This year looks promising, too, with another big lump of highly profitable stock options coming through. Steven Ross is another US company chief with rospy prospects. He has just signed a ten-year contract with his company, Warner Communications, which on a reasonably conservative view should be worth more than $140m over the next ten years.

The question is whether this simply amounts to just rewards for high endeavour. Setting a fair value on a successful chief executive is an impossible exercise. But the Warner contract—52 pages of densely packed legalese—looks a good example of how not to go about about the job.

Entrepreneurs who build up a business from scratch take huge personal risks and can—occasionally—garner huge personal rewards. Bill Gates, the 31-year old founder of Microsoft whose stock is now worth the better part of $1bn, is a good example. The same can reasonably apply to people who successfully pull back major corporations from the edge of the grave. When Chrysler was all but dead, Iacocca at one stage worked for a year for the payment of one dollar. Most of his huge rewards last year came from options which were granted at a time when Chrysler shares were worth a fraction of their present price, and when the company's future was still highly uncertain.

Warner is in an altogether different position. Ross is its architect and its inspiration, and has successfully turned the company round after enormous losses in computer games. Now it is on a firm basis, and the risks involved in his job are negligible.

Another shortcoming is that the compensation package is not built around incentives for performance. At one highly improbable extreme, admittedly, the contract states that the chief executive can be sacked if he is convicted of a felony which is not subject to appeal. But *otherwise, the main emphasis is* not on performance, but rather on inducements to stay for the next 10 years.

Should that be necessary? There has often been speculation that Iacocca might find different jobs, ranging all the way up to the White House. But he is America's best known businessman: Ross is another story.

The much criticised share option scheme announced earlier this year by the Burton Group in the UK is linked to a *set of highly ambitious performance* targets both for the company and the individual managers who stand to benefit from the scheme. In the case of Warner, Ross will learn a comfortable living even if the company's stocks and earnings remain flat over the next 10 years. And if the shares are swept ahead in the general rush of a bull market, he would start to make some really serious money.

Another requirement of a chief executive's compensation package is that it should be set and approved by independent directors, and have the full support of the board. The Warner agreement was approved by a vote of nine to six at what, according to *Fortune magazine, was a heated* board meeting. The opposition came from directors nominated by an outside shareholder, who might have had other axes to grind and Ross had rightly disqualified himself from voting. All the same, it was not the ideal way to approve *what could be the most lucrative* contract for any chief executive in the US.

Compensation packages also *ought to be able to pass what* might be described as the straight face test. Can you imagine a forum in which you could safely declare that a *59 year old man running a business of no great national importance* was worth a 10-year contract with annual payments which could be well in excess of those received by the entire US senate?

If big rewards are to be justified by success, then anything less than success needs to be subject to big penalties. On the fact of things, Iacocca passes this elementary test of capi*talism, and Ross does not.* It will be interesting to see how shareholders react at Warner's annual meeting next month.

Letters to the Editor

Time for a mandarins' holiday

From Mr L. Carter-Jones, MP.

Sir,—It seems to me that this country's economic and industrial recovery would be assured if all the Treasury, Trade and Industry mandarins were sent on sabbatical leave to Outer Mongolia for a minimum of two years.

In the early 1970s the senior civil servants declined to support action to allow Rolls-Royce *RB-211 engines to be fitted to* Boeing 747 aircraft. Backbench MPs forced a favourable reconsideration of the necessary financial support. As a result more than £20bn of RB-211 engines have been fitted to Boeing aircraft and there are orders worth more than £500m on the books. This is no thanks to the Treasury.

Early in the 1980s the bureaucracy opposed financial support for a repayable loan to launch the A320 Airbus. Backbenchers in all parts of the Commons fought a vigorous battle against the mandarins and actually won. Despite the fact that Treasury delays cost us sales of more than 200 of these outstanding aircraft, the A320 is the best selling civil *aircraft ever* in terms of firm orders and commitments. The Government loan will be repaid at a very substantial profit to the country. Again, no thanks to the Treasury.

Yet again the mandarins are dragging their feet over launch aid in the form of repayable loans for the A330 and A340. Again, there is wholehearted support in all parts of the Commons for this project—once more delays are causing the loss of orders.

Our technology and export markets, as well as employment prospects, cannot afford the luxury of mandarins who *just do not seem to understand* the real issues.

Lewis Carter-Jones, MP.
Vice chairman All-Party Parliamentary Aviation Group, Chairman Parliamentary Labour Party Aviation Group, House of Commons, SW1.

Addressing the dollar argument

From Dr Rosalind Altmann.

Sir,—I read with interest Samuel Brittan's article (April 13) The Real Dollar Argument. But it seems to me that the real dollar argument was not even addressed.

Professor Feldstein and Summers' work, arguing that the dollar needs to fall a further 20 per cent to correct the US trade deficit, is very interesting, but is typical of the American view, looking only at the world from one side. It does not identify against which curren*cies this devaluation is required.*

A further fall in the dollar against the yen and D-Mark would not help the US trading situation. It would probably make it worse. In fact, to avoid a global recession, the dollar may even need to rise against the D-Mark and yen and any *further devaluation* must take place against the dollar-linked surplus countries.

The deflationary impact of the falling dollar on the German and Japanese economies has not yet been fully realised. Their industries are going to be unable to compete at today's exchange rates. The slowdown in their export sectors is already having knock-on multiplier effects on the domestic economy (via falling investment, *higher unemployment,* rising precautionary savings etc. Since much of the rest of Europe (the UK, thank goodness, being an exception) have tied their monetary policies and exchange rates to Germany, these competitive problems and deflationary effects will impact on many other countries. This will mean a general slowdown in world trade and no big gains for US exporters.

The newly emerging dollar-linked surplus countries (mostly in the Far East) are enjoying a bonanza at the expense of future Western growth.

The only further benefit to be gained by dollar devaluation against the yen and D-Mark would be perhaps to force some of the barriers to free trade to be relaxed, particularly in Japan. But, if the West is in the *meantime forced into recession,* this would be a rather futile strategy.

Let us hope that international debate will begin to focus on the realities of the current exchange rate situation and the weakness of the Western economies, before further forced devaluations lead us all into recessions.

Rosalind Altmann,
Executive Director,
International Investment Group,
Chase Manhattan Bank,
Coleman Street, E.C.2.

The 1980s: neither wild nor sleepy

From Mr M. Nevin.

Sir,— Michael Prowse's article, When disbelief can no longer be suspended (April 18), concluded with the question of whether the current world economic situation "is more reminiscent of the wild 1920s or the sleepy, secure 1950s."

The answer, surely, is: neither. The closest analogue would be the 1930s. In terms of the 50-year Kondratieff cycle, the 1980s is a period of recovery following the severe recession of 1979-82, just as the 1930s was a period of recovery after the Great Depression of 1929-32. There is very little evidence of the speculative excess feared by Mr Prowse.

While the FT all-share index of the UK stockmarket may be close to an all-time high in nominal terms, it has still not regained the heights it achieved in real, inflation-adjusted terms during the late 1960s. Nor are price-earnings multiples spectacularly high in historic terms. The same applies to Wall Street.

Similarly, despite concerns about the rapid appreciation in property prices over the past two years, house prices remain lower relative to average earn*ings than they were in 1973.* The most likely scenario appears to be a continuing appreciation, though at a slower rate than that attained last year.

Where Mr Prowse has a valid point is in his analysis of Japan, where the stockmarket does not yet reflect the realities of lower profit expectations as a result of the higher external value of the yen.

However, this is hardly a cause for panic. The greatest threat to continued recovery, now as during the 1930s, is not the collapse of a feverish, speculative bull market, but rather trade protection.

Michael Nevin,
39 Museum House,
Burnham Street E2.

Quality of local council services

From Councillor Peter Prince

Sir,—Your leading article "Local finance in a mess" (April 15) neglects the most important issue of all, and that is the basic approach taken by any administration. Where those in power take a sensible, prudent financial policy, it is quite possible to improve services yet keep rates low. Between 1982 and 1986 the Conservative led council in Hammersmith and Fulham improved services very significantly, for example, a 40 per cent increase in satisfactory housing, and yet reduced rates, by cutting out waste and inefficiency, and this in an inner city borough. How? By maximising Government financial support so that at the end we were actually spending more in real terms (not my prejudiced assessment, but in Steve Bundred's report issued from Labour Party headquarters in March 1986).

Now we have a council who have openly proclaimed: "We are not concerned with the notional interests of the ratepayer" and subsequently the architect of their borrowing plans wrote: "Building up debts for future years is not something we should worry about. It is something we should carefully plan—the more Labour authorities that have built up their debt changes and are faced with a cash crisis in 1989-90 the better if that means local authorities being forced to take on the Government."

The fundamental change which has taken place is that there are now a whole series of councillors who are determined to destroy the current system. For banks to lend money to such authorities is reckless and irresponsible, and they have only themselves to blame if they find that those in power after 1990 cannot repay the debts without so impairing services that they cause unacceptable penalties to the people in their boroughs. In such circumstances those councillors will undoubtedly take a lesson from Brazil.

Peter Prince.
London Borough of Hammersmith and Fulham,
Town Hall,
King St, W6.

Power to the board watchdogs

From Mr D. G. Pearce

Sir,—Pro Ned are to be congratulated for producing a Code of Coduct for non-executive directors. Particularly they have highlighted the contribution they can make to a board beside being a watchdog for the shareholders.

However, their Code would have been strengthened further had Pro Ned accepted the fact that company law needs to be changed to strengthen the power of the non-executive director.

At the moment a non-executive director is on the board at the invitation of the chairman. His only sanction against the chairman or the board is to resign.

Failing changes in the law, it would have been easy to stipulate that the shareholders *should be circulated* with the reasons for the non-executive director's resignation.

Furthermore, the Code states that three or more non-executive directors should be appointed to companies with a turnover in excess of £50m or 1,000 employees. Quite clearly a greater contribution could be made to the economy of the country if non-executive directors were appointed to smaller companies with a turnover of £5m or with 50-plus employees.

Derek Pearce,
Chairman,
Outside Directors Limited,
Reepham, Norfolk.

FINANCIAL TIMES

Friday April 24 1987

Chrysler moves into Lamborghini's driving seat

BY ALAN FRIEDMAN IN MILAN

CHRYSLER, the US car group which for the past year has displayed a growing interest in buying into Italian sportscar makers, yesterday agreed to acquire 100 per cent of Lamborghini, the legendary Bologna-based, producer of luxury cars.

Although the company was only founded in 1963 by Mr Ferruccio Lamborghini, it has distinguished itself as one of the motoring world's most famed manufacturers of high performance vehicles.

The purchase price was not disclosed, but Chrysler is understood to be paying the Mimran family of Geneva between $20m and $25m for Lamborghini, which last year produced only 300 cars.

Chrysler's acquisition of Lamborghini, which broke even in 1986 on sales of L28bn ($21.5m), follows its earlier decision to buy into Maserati. Chrysler has a 15.6 per cent stake in Maserati, with an option to increase this to 48 per cent.

Mr Gerald Greenwald, Chrysler chairman spoke yesterday of the "advanced electronics knowledge and North American marketing expertise" which the US group would offer Lamborghini. He said there would also be an exchange of car components between the two companies.

Maserati is building a luxury car model for Chrysler to sell in North America. Lamborghini originally approached Chrysler with the same idea in November 1985, a spokesman said yesterday. "Instead of just the model or a minority stake they said they wanted to buy all of Lamborghini," recalled an Italian executive.

With Chrysler owning part of Maserati and all of Lamborghini, Italy's famed luxury car makers have lost their financial independence. Ferrari is controlled by Fiat, which last year succeeded in taking control of the loss-making Alfa Romeo.

However, while Italian sports car makers may no longer be independently owned, they obviously have a certain cachet in the US market.

The Cadillac division of General Motors, for example, will later this *year launch an Italian-made high* performance car, the Allante, which is being partly built by Pininfarina, the Turin-based designer. The Allante bodies will be shipped by Boeing 747 jet from Turin (three flights *a week, 60 cars a flight) to Detroit,* where engines will be installed at a Cadillac plant.

Lamborghini, meanwhile, says it will increase its output to 450 cars this year, and is predicting it will again return a break-even result on total 1987 sales of L45bn. Some 25 per cent of Lamborghini sales come from the US market, and the company said yesterday that, with its new owner, it hoped to increase this proportion substantially. The company employs 300 people.

The plan this year is to produce 220 Countach models. This is the 12-cylinder, 455-horsepower Lamborghini which the company claims is the "fastest car in the world," at least among those available away from a race track. The Countach, which can speed at 295 kilometres (185 miles) an hour, sells in the US for a mere $127,000.

A cheaper Lamborghini two-seater is the Jalpa, 70 of which are to be built this year. The eight-cylinder Jalpa sells for $70,000. The company also plans to build 160 four-wheel-drive LM-002 models this year. This car can attain the speed of 220 kilometres an hour "on asphalt or sand" according to Lamborghini.

Wong Sulong in Kuala Lumpur reports on the challenge to Mahathir's leadership

Testing time for Malay premier

DR MAHATHIR MOHAMAD, Malaysia's blunt Prime Minister, faces his most serious political challenge when the ruling United Malays National Organisation, UMNO, holds its triennial elections today.

The 61-year-old doctor of medicine from Kedah *state is seeking* re-election as party president, and is being challenged by Tengku Razaleigh Hamzah, 50, his Trade and Industry Minister, a proud and charismatic prince from Kelantan state.

UMNO has ruled Malaysia since independence 30 years ago in coalition with satellite parties representing non-Malays. Thus not only the leadership of the party, but also that of the country is at stake.

Dr Mahathir Mohamad

A few months ago, Dr Mahathir *was in an almost unassailable* position. He had led UMNO to a stunning victory in last August's general elections. But now he is on the defensive.

The challenge to him is made possible through a realignment of forces within UMNO. Supporting Tengku Razaleigh is Datuk Musa Hitam, a former deputy Prime Minister. They were once arch-rivals, but have teamed up because they would have small chance on their own. Datuk Musa will defend his post as UMNO deputy president against Mr Ghafar Baba, the current deputy Prime Minister.

The challenge against Dr Mahathir is unprecedented. Traditionally *a Malay leader is seldom confronted.* He resigns if he senses that a large segment of the party is not with him. However, Dr Mahathir has said he will stay on even if he wins by one vote.

The power struggle is as much a conflict in styles of leadership as of fundamental policies. Tengku Razaleigh and Datuk Musa complain of the Prime Minister's authoritarian style of leadership, corruption in high places and the Government's mismanagement of the economy.

They say a change of leadership is needed to restore local and foreign confidence, crucial for an economic recovery. They argue that Dr Mahathir's "Look East" policy of favouring Japan has alienated Malaysia's traditional friends, and his heavy industrialisation programme has been a colossal mistake.

Two of the Prime Minister's closest advisers – Mr Daim Zaimuddin, the Finance Minister, and Mr Anwar Ibrahim, the young, fast-rising *Education Minister – have* been singled out for criticism. Mr Daim's business deals have been the source of much controversy. Particularly sensitive was his acquisition of a controlling stake in United Malayan Banking Corporation, which he subsequently sold to Pernas, a government agency, reportedly at a huge profit.

Tengku Razaleigh and Datuk Musa are also concerned at the way Islamic fundamentalists have spread their tentacles in various spheres of Malaysian society. However, it is difficult to articulate this concern to a Malay audience.

Dr Mahathir has countered with a blistering attack on his opponents, branding them as impatient, power-hungry politicians.

"Their supporters say I am like (former Philippines President) Marcos and that I am the world's richest prime minister. But how many people have I shot? Where am I hiding all this so-called wealth?" *he asks with sarcasm.*

"When I took over as Prime Minister six years ago, there were several hundred detainees under the Internal Security Act. Now, there are only a few hard-core communists in the detention camps," he says.

He argues the Malaysian recession is because of depressed commodity prices: "something that is beyond our control."

A total of 1,507 delegates will decide the outcome of the UMNO polls and the battle lines cut right across the party.

There is no place for fence-sitters, as shown in the case of Datuk Abdullah Ahmab, an ambitious member of Parliament. He launched his campaign in Singapore on Malaysia's Independence Day last August, championing Malay dominance.

He had hoped both sides would support his bid for a vice-presidential post, but when nominations closed last Saturday, he had to be content to vie for one of the 22 Supreme Council seats.

The UMNO poll represents a watershed. "UMNO will never be the same again. The winner now takes all," says a party veteran. There is little doubt that whoever wins, there will be a shake-up in the party, the Government, the corporate sector and the local press.

The non-Malays, particularly the Chinese, who still wield great influence in the economy, are viewing the coming battle with a great deal of nervousness. UMNO has been the dominant party in Malaysia for so long that instability within UMNO will usher in a period of instability in the country.

The Chinese fear they would end up the losers. They reckon that whoever emerges as the victor in the UMNO polls will win by a narrow margin. He will need to consolidate his position, and may have to offer concessions to the Malays at the expense of other races.

Japan in Third World aid offer

By Steward Fleming in Washington

MR SHINTARO ABE, the special *envoy sent to Washington by Mr* Yasuhiro Nakasone, the Japanese Prime Minister, ahead of Mr Nakasone's official visit next week, has told the Reagan administration that Japan is prepared to pump $30bn over three years into heavily indebted developing countries.

US Administration officials confirmed yesterday that during his two days of talks in Washington Mr Abe had raised the possibility of "some form of new recycling scheme" aimed at using Japan's enormous currency earnings in the Third World.

The officials said the idea floated by Mr Abe was that the $30bn would be spread over three years and that it might be handled by the Japanese equivalent of the US Export-Import Bank (Exim bank).

But the officials added: "We have not seen the details yet and the details are very important. ... It sounds encouraging – they are thinking in large terms about recycling."

Mr Abe's visit was designed in part to try to ease friction between the two countries which erupted following Washington's imposition at the end of last month of retaliatory duties on $300m of Japanese imports. The duties were a response to the alleged failure of Japan to end the dumping of semiconductors in the US and other countries.

Mr Abe's disclosure of the proposal to use some of Japan's huge foreign currency earnings to help Third World debtors seems timed to improve the atmosphere for Mr Nakasone's visit.

It coincides with a widespread perception that US Treasury Secretary James Baker's "plan" for tackling Third World debt is in trouble. Washington is also acutely conscious of the fact that the prospects for an improvement in the $170bn US trade deficit would be brighter if Latin American debtors in particular could increase their imports from the US.

For two years the US has been pressing Japan to stimulate its economy in order to help sustain world economic growth, improve access to its markets and take greater responsibility for the overall performance of the world economy.

Mr Nakasone is expected to outline the latest Japanese response to these continuing pressures. He will do so against the background of mounting frustration on Capitol Hill at the perceived failure of his country to respond satisfactorily to US demands.

Mr Jim Wright, the Democratic Speaker of the House of Representatives, has said that the House will not change its plans to debate new trade legislation which would increase pressure on Japan.

Reagan Administration officials confirmed that Mr Abe had outlined the key elements of the Japanese response, which Mr Nakasone will formally present.

Tokyo report urges cut in trade surplus

BY CARLA RAPOPORT IN TOKYO

A HIGH LEVEL advisory group to Mr Yasuhiro Nakasone, the Japanese Prime Minister, yesterday urged the Japanese Government to take immediate steps to expand domestic demand and reduce the country's huge trade surplus.

The report, prepared by a special committee on economic restructuring chaired by Mr Harao Maekawa, former governor of the Bank of Japan, said Japan's trade surpluses "cannot be allowed to continue... Japan must take the initiative in rolling back protectionism and defending the free trade system" by rectifying its trade imbalances.

The 25-page report, however, failed to set a specific target on how *much or by when Japan's trade* imbalance should be reduced. Its list of specific recommendations, none the less, is expected to become the blueprint for Japanese economic and fiscal policy over the next five years.

The report comes eight months after the release of the Maekawa Report, which set the general policy toward economic restructuring through the reduction of exports *and stimulation of domestic* demand.

Japan's 1987-88 budget was approved by Parliament last night after a last-minute compromise which included the Government's withdrawal of its controversial sales tax proposal. **Page 4**

Yesterday's release was timed to precede Mr Nakasone's trip to Washington next week, when he will explain the specific recommendations for change to President Ronald Reagan.

Among the recommendations listed for immediate action are further deregulation of the distribution and financial sectors, "extraordinary and urgent" fiscal measures to cope with the current economic slowdown in Japan, reform of the country's land tax policies, increased imports of manufactured goods, improved productivity in the agricultural sector and shortened working hours for Japanese government and private sector employees.

Despite the more specific nature of the proposals, however, Mr Maekawa said their effects might not be fully felt *for as many* as five or more years.

Japanese telecom merger may be off

BY IAN RODGER IN TOKYO AND DAVID THOMAS IN LONDON

A NEW twist has been added to the row over Japan's plans to open its international telecommunications traffic up to competition, with two important developments being given radically different interpretations by opposing factions.

It emerged yesterday that the proposed merger of the two consortia competing for a licence to operate Japan's second international telecommunications service is likely to be called off.

This merger proposal prompted an angry reaction from both the US and British Governments, but received the support of Japan's Ministry of Posts and Telecommunications. A get-together would have limited the stakes in the venture of foreign companies, including Cable and Wireless, the UK telecommunications group.

Mr Nobuo Ito, president of the all-Japanese consortium in the contest, International Telecom Japan (ITJ), said the prospects of the merger occurring were now bleak.

He said that his consortium would apply for a licence of its own if a planned meeting with the other consortium, International Digital Communications, which is backed by Cable and Wireless, did not result in any progress.

Separately, it became clear yesterday that KDD, Japan's existing monopoly provider of international telecommunications, is joining American Telephone and Telegraph (AT&T) of the US in launching a feasibility study for a new trans-Pacific fibre optic cable.

Until recently, official opinion in Japan was that there was not *enough demand for a new cable.* This argument was used against the proposal by the Cable and Wireless consortium which is planning a new cable to cater for the expected increase in traffic.

However, Mr Shunjiro Karasawa, Japan's telecommunications minister, recently indicated that he was no longer against a new cable.

In Japan, these two developments were being seen as further *attempts to torpedo* the Cable and Wireless consortium's proposal. It was felt that the proposed KDD-AT&T cable would make any other cable plan redundant and that ITJ would be given the second international telecommunications operator licence.

World Weather

		°C	°F
Ajaccio	S	18	64
Algiers	S	23	73
Amsterdam	S	18	64
Athens	F	17	63
Bahrain	S	29	84
Bangkok	S	35	95
Barcelona	S	17	63
Beirut	S	26	79
Belfast	C	13	55
Belgrade	S	14	57
Berlin	C	13	55
Biarritz	S	25	77
Bombay	S	34	93
Bordeaux	S	21	70
Brussels	S	18	64
Budapest	F	14	57
B Aires	S	22	71
Cairo	S	29	84
Cape Town	F	18	64
Caracas	C	30	86
Casablanca	C	19	66
Chicago	C	8	46
Cologne	S	18	64
Copenhagen	C	16	61
Corfu	F	21	70
Dallas	–	—	—
Dublin	C	12	54
Dubrovnik	S	18	64
Edinburgh	C	15	59
Faro	F	19	66
Florence	S	22	72
Frankfurt	S	17	63
Funchal	F	20	68
Geneva	S	17	63
Gibraltar	S	19	66
Glasgow	C	13	55
Guernsey	S	17	63
Helsinki	F	11	52
H Kong	S	29	84
Innsbruck	S	17	63
Inverness	C	15	59
Islamabad	R	27	81
Istanbul	C	9	48
Jakarta	C	32	90
Jersey	S	20	68
Jo'burg	S	25	77
Lima	–	—	—
Lisbon	F	23	73
London	S	19	66
Los Angeles	S	15	59
Luxembourg	S	17	63
Madrid	S	22	72
Majorca	S	24	75
Malaga	C	16	61
Malta	S	19	66
Manchester	S	18	64
Manila	S	37	99
Melbourne	C	15	59
Mexico City	S	21	70
Miami	C	27	80
Milan	S	18	64
Montreal	C	15	59
Moscow	C	0	32
Munich	S	14	57
Nairobi	F	25	77
Naples	S	20	68
Nassau	C	27	80
New Delhi	S	42	108
New York	C	21	70
Nice	S	19	66
Nicosia	C	28	82
Oporto	F	18	64
Oslo	S	12	54
Paris	S	20	68
Peking	S	24	75
Prague	S	12	54
Reykjavik	C	9	48
Rhodes	F	19	66
Rio de J'o	C	32	90
Rome	S	22	72
Salzburg	S	16	61
San Francisco	C	11	52
Seoul	S	14	57
Singapore	F	28	82
Stockholm	F	15	59
Strasbourg	S	18	64
Sydney	C	19	66
Taipei	S	31	88
Tangier	S	22	72
Tel Aviv	C	26	79
Tenerife	S	25	77
Tokyo	S	21	70
Toronto	C	12	54
Tunis	S	20	68
Valencia	S	22	72
Venice	S	15	59
Vienna	S	13	55
Warsaw	R	6	43
Washington	S	11	52
Zurich	–	—	—

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Guinness writes off £125m in bid costs

Continued from Page 1

partnership managed by Mr Ivan Boesky, the disgraced New York bid arbitrageur, in what is thought to have been one element in a pay-off for his assistance in the take-over battle.

Some of the investment may well be recovered, possibly through litigation, but provisions have been made for the entire sum as a matter of prudence.

The £125m provision, which is being treated as an extraordinary item, is less than many City of London analysts and investors feared. The Guinness share price rose yesterday from 320½p to 331p.

Stockbroking analysts were however worried by the company's failure to provide for the contingent liabilities that will crystallise if Guinness is successfully sued for damages either by the Argyll Group, whose counter-bid for Distillers was frustrated by Guinness, or by Distillers shareholders.

Although Argyll's chances of success are not regarded as very high, it is thought that Distillers' shareholders may successfully claim they were wrongfully induced to accept Guinness shares during the bid on the basis of a share price which had been artificially inflated. In that case, Guinness could be liable for up to £400m in damages.

Guinness said yesterday merely that it would "vigorously" defend any action and was not making provisions because of "opinions received from leading counsel and the company's professional advisers."

The financial results of the company for the 15 months to December 31 were in line with market expectations. Pre-tax profits for the period (excluding the £125m write-off) were £355m. This includes the profits from Distillers since the date of its acquisition last April.

The original Guinness businesses, stripping out the contributions from Distillers and from Arthur Bell, the spirits company acquired in August 1985, showed an increase in pre-tax profits from £85m in the 12 months to September 1985 to £97m in the 12 months to December 1986.

Earnings per share rose from 25.3p in the year to September 1985 to 28.6p in the 12 months to December 1986.

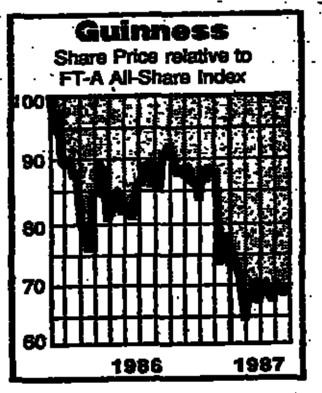
THE LEX COLUMN

The drinks are on the house

In purely nominal terms, the Guinness share price of 331p is very much where it was when the inspectors arrived to investigate the company last December. By writing down £125m to experience below the line, Guinness's new management is now doing its best to persuade the market that the only thing to have been truly lost is time. Never mind the scandal, say the *provisions, look at the potential* earnings: the extraordinary items are meant to free an investment in Guinness from the taint of its shady recent past.

But whatever good news Guinness *is able to relate about spiritu*ous liquor, it is a message that the market is still not yet ready to buy. For while Guinness has indeed reported encouraging progress in its business – somewhere on the way to justifying the original grandiose scheme – there are several reasons why its rehabilitation remains incomplete.

Although the £125m provides for getting nothing back from the Boesky investment, possibly a conservative assumption, and includes £17m of dubious payments which may yet be recovered, there is still £40m of "other" items of which no real elucidation has yet been given. That £40m is in itself immaterial to a group the size of Guinness, but it represents a continuing area of doubt. And however tenuous Argyll's prospects in the courts, the market takes a little more seriously the possibility that ex-shareholders in Distillers might seek to recover the difference between what they got from Guinness and the sponsored price paid by the Guinness supporters club. Remember the overhang of shares bought to support the Guinness price, and it seems reasonable to let the brew settle a while before swallowing the shares once more.



Hillsdown Holdings

In the arguments now raging about pre-emption rights Hillsdown Holdings is clearly at the opposite end of the spectrum to the likes of Fisons and Beazer. For it is giving its shareholders the right to claw back all the 55.4m shares being sold by Mr David Thompson. What is more, since there is no enlargement of the issued capital, Hilldown was under no obligation whatsoever to give its shareholders preferential treatment.

There is even a 7 per cent discount and – whatever next – an underwriting commission. Not that Hillsdown shareholders should complain: Mr Thompson is paying the entire cost of the transaction, even although the company is the beneficiary of the wider distribution than would be available via a cut-price bought deal.

Yesterday's 12½p fall to 265p in the Hillsdown shares reflects the increase in the amount of stock now available to the market. Yet the remaining chairman clearly thinks the shares a bargain: he is buying over £3m worth.

Tesco/Millards

Millards' desire to remain independent is fervent enough to generate a forecast of a 45 per cent profits increase for a year which has yet to begin. Not bad for a participant in such a competitive industry. Yet this is not the sort of strategic argument which will induce undecided shareholders to remain *faithful long-term. It may however* be a good way of making Tesco pay more, which is not the apparent objective of the Hillards management. Whatever its merits, the forecast was enough to send the Hillards shares up 10p to 335p, more comfortably clear of Tesco's sighting shot.

Littlewoods

Five years ago Littlewoods would not have been able to go public; now it has no need to. With profits for 1986 up 16 per cent to £70.1m, its revitalisation is barely half complete. Yet the sales growth from its chain stores in 1986, at 11 per cent, may prove near to or even better than its closest rivals.

Refurbishments and new stores – all internally financed – are beginning to do the trick, *although Little*woods may still be lagging the majority of the high street in design and marketing. The switch from the dowdy blue fascias to brash orange is already being superseded by pastel peach and grey.

While the chain store margins are still only 3.7 per cent pre-interest, a more normal return should be achieved in the next couple of years, demonstrating Littlewoods' reappearance as a major retailing force. That is being shown too in mail order and in the new ventures, catalogue and home accessory shops. If Littlewoods is to expand its market share, others may feel the pinch even if retail sales are booming. And with so much of the industry now in the hands of the quoted stores groups, there must eventually be a sorting out of the ratings of sheep and goats in the sector.

Micro Focus

Motivating the workers through a share option scheme is just the sort of thing progressive companies are supposed to do. No one expects the scheme to be more than a minor drain on the company. But Micro Focus's scheme has forced it to make a £950,000 write-off on top of a post-tax loss of £385,000 in the year to January.

It was a rather curious scheme in the first place, using a nominee company to mop up existing shares sold by departing staff at market prices, which seem to have averaged around 700p intending to sell them on or grant options against them. In fact options at a price of 240p were to be satisfied by the nominee company buying yet further shares from directors at the option price.

The nominee largely financed its purchases through a loan from Micro Focus. All would have been dandy had the shares not plunged from the peak of near £10, including the famous halving in one day in 1985, to 134p, down 9p yesterday. With the security for the loan eroded, the write off was inevitable and should have been forseeable.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday April 24 1987

BankAmerica profits rise despite Latin debt

BY ANATOLE KALETSKY IN NEW YORK

BANKAMERICA Corporation, the troubled holding company for Bank of America, the second largest US banking group, has managed to stay in the black despite the cost of placing $2.1bn of loans to Latin American on a non-accrual basis.

In the first quarter the company had net earnings of $67m, or 34 cents a share, compared with $63m or 31 cents the year before. Total assets fell from $117.7bn a year ago to $99bn.

The latest profits remain meagre in relation to BankAmerica's total assets and are somewhat down, after allowing for unusual items, on the results reported last year but they have not dispelled hopes that the San Francisco banking giant may finally be past the nadir of its misfortunes.

BankAmerica shares rose $⅛ to $11⅞ by lunchtime yesterday, shortly after the results announcement.

Mr A.W. Clausen, BankAmerica's chairman, welcomed the latest results as evidence of "continued success with our restructuring efforts."

He pointed, in particular, to cuts in the bank's operating expenses, a 15 per cent reduction in net credit losses and an improvement in the bank's primary capital ratio to 7.38 per cent from 6.92 per cent in the fourth quarter of last year.

However, the detailed results show that the bank is still far from being in robust condition. The net income of $63m includes $127m in after-tax gains from asset sales, including the $112m profit from disposing of the Charles Schwab discount brokerage operation.

In addition, there is a $31m benefit from a change in accounting for revolving credit facilities. These factors are partly offset by the $54m after-tax cost of putting loans to Brazil and Ecuador on non-accrual status.

Although net credit losses, at $315m, are 15 per cent down on the fourth quarter of 1986, they are 23 per cent higher than in last year's first quarter.

Meanwhile, non-interest expenses have been reduced only by 2 per cent from $1.04bn in the first quarter of 1986 to $1.03bn

Credit Lyonnais follows trend with strong gain in earnings

BY DAVID HOUSEGO IN PARIS

CREDIT LYONNAIS, in line with the trend among other big French banks, yesterday announced a strong growth in profits with net consolidated earnings rising by 52.7 per cent to FFr 1.9bn ($316m).

But Mr Jean-Maxime Leveque, the bank's president, warned against attaching too much significance to the figures because of the current practice of French banks, in agreement with the French Treasury, of making large provisions against sovereign risks in heavily indebted developing countries.

Crédit Lyonnais announced that it had put aside FFr 6.2bn in provisions last year or 18 per cent more than in 1985. The bank's outstanding provisions on more than 45 heavily indebted developing countries amount to FFr 11.9bn, equivalent to about 38 per cent of its commitments to this group.

Giving a truer picture, in Mr Leveque's eyes, of Crédit Lyonnais' profit earning capacity, gross operating income before provisions rose last year by 20.6 per cent to FFr 9.04bn against a 3.9 per cent decline in 1985. Mr Leveque said operating income would continue to grow this year though not as fast as in 1985.

The boost to operating income last year came from the sharp climb in commissions - reflecting the expansion of the French financial markets - from a strong growth in personal lending and from the bank's low cost resources deriving from unremunerated demand deposits.

Mr Leveque, one of the most outspoken figures in French banking, could not conceal his disappointment that Crédit Lyonnais has not yet been given a date for its own privatisation. The bank had been active in advising the government over the privatisation of other groups and he made clear that he believed its competitiveness made it a candidate for early denationalisation. Crédit Lyonnais is the second largest and oldest of the French banks.

Group profits were also helped by a clampdown on operating expenses. Personnel costs rose by only 2.6 per cent – or lower than the French inflation rate – because of a 1.4 per cent cut in the bank's workforce in France.

Commodore names new chief

BY LOUISE KEHOE IN SAN FRANCISCO

COMMODORE International, the US personal computer manufacturer, has ousted the company's president and chief executive, treasurer, North American general manager and US computer services manager over reported personality differences with Mr Irving Gould, Commodore chairman.

Yesterday, Commodore named Mr Gould as its new chief executive to replace Mr Thomas Rattigan, who filed suit against the company, seeking $9m in damages and alleging that the company breached his employment contract. In his suit Mr Rattigan said that he was removed from his office by security guards on Monday.

Commodore said that Mr Rattigan's suit was "wholly without merit" and denied breaching his employment contract. Mr Rattigan joined Commodore from Pepsico two years ago and was named chief executive last April. He is widely credited with having returned the company to profitability after five quarters of heavy losses during which the company's future became uncertain.

Commodore's stock fell sharply on news of the management changes yesterday.

Naming new appointments to the posts of US general manager and US general sales manager, Mr Gould yesterday said that these actions "would improve operating efficiency and provide improved momentum for our US business to complement the continued strong performance of our European operations."

APPLE COMPUTER has declared its first cash dividend and a two-for-one stock split, signs that the firm that launched the personal computer industry 10 years ago has achieved profitable maturity.

The dividend of 12 cents per share (6 cents on the split stock) makes Apple one of the few Silicon Valley high tech companies to pay a cash dividend to stockholders. Apple has cash reserves of over $700m, which it has been expected to use for acquisitions but the stock dividend came as a surprise.

Data General's losses mount

BY DAVID OWEN IN NEW YORK

DATA GENERAL, the Massachusetts-based super-minicomputer specialist, reported another poor set of quarterly results yesterday, primarily because of its continued failure to boost overall revenues.

The company has had hard times since 1985, the year it reported its first losses as a public company and laid off employees company-wide for the first time in its 18-year history.

In its second quarter, the company made a net loss of $42.6m or $1.59 a share, including charges totalling $33m because of early redemption of debt and the write-down of its investment in an unconsolidated affiliate, Maryland-based Dama Telecommunications which it acquired late last year.

The company lost a token $1.8m (6 cents a share) at the net level in the corresponding year-earlier quarter. Revenues declined to $315.2m from $318m in 1986.

Mr Edson de Castro, president, called the lack of growth in overall revenues "disappointing" and attributed it to "the rapid deterioration in sales of our older 16-bit product line."

Acceptance of the company's newer MV/15000 and Eclipse MV super-minicomputers "continues to be very positive," Mr de Castro said. It would continue to build up its field sales, system engeneering and development organizations to stimulate demand.

At the six months' stage, the company's net loss was $39.3m ($1.47 a share) against a loss of just $600,000, including an extraordinary charge of $3.8m a year earlier. Revenues totalled $626.5m, versus $612.8m in 1986.

Anglo American profits hit

BY JIM JONES IN JOHANNESBURG

NONE OF the *mines managed* by Anglo American, South Africa's leading mining house, compensated for a declining rand gold price by increasing gold recovery grades during this year's March quarter.

Free State Consolidated Gold Mines (Freegold), the world's largest gold mine, had its underground production affected by industrial disputes and faction fighting among workers and the mill was kept full by processing low-grade surface dump material.

GOLD COMPANIES' PERFORMANCE

	Gold produced (000 oz)		After-tax profit (Rm)		Earnings per share (cents)	
	Mar 87	Dec 86	Mar 87	Dec 86	Mar 87	Dec 86
Elandsrand	85.46	85.65	22.6	48.2	23.6	31.1
Ergo	71.89	73.14	29.6	35.7	21.1	30.7
Freegold	829.69	830.11	226.5	213.8	73.0	82.2
SA Land	13.54	14.78	1.2	2.2	13.3	26.6
Vaal Reefs	633.79	609.42	134.1	201.6	432.4	636.9
W. Deep	305.72	300.10	79.3	109.0	150.5	173.3

Freegold's mill throughput rose to 5.95m tonnes from the December quarter's 5.78m tonnes and although mining emphasis was switched to higher-grade stopes, the overall recovery grade dropped to 4.34 grams per tonne (g/t) from the previous quarter's 4.47 g/t.

In the Transvaal, Elandsrand - which has been struggling with ground support problems for several quarters – also showed a drop in mill throughput to 425,000 tonnes from 462,000 tonnes while the gold recovery grade slipped to 6.25 g/t

It hopes that a new system of support pillars will reduce seismic damage to the workings.

Vaal Reefs increased its throughput to 2.74m tonnes from 2.57m tonnes and this led to a reduction in the unit cost of mining and processing each tonne of ore. The increased processing rate offset the grade decline to 6.70 g/t from 6.78 g/t.

Western Deep levels took the same route but suffered a sharp increase in unit costs, as its increased tonnage was drawn from underground with a reduction in the low-cost tonnage drawn from low-grade surface dumps.

The overall recovery grade rose marginally to 6.52 g/t from 6.50 g/t.

Ergo, the residue dump reprocessing operation which can do little about selecting grade, managed a rise in average grade although not enough to offset a lower tonnage processed.

Fiat unit to receive Fl 650m injection

By Kenneth Gooding, Motor Industry Correspondent, in Turin

FIAT, Italy's leading automotive group, is to inject Fl 650m ($325m) of new capital into Iveco, its Amsterdam-registered heavy commercial vehicle subsidiary.

Mr Giorgio Garruzzo, Iveco's managing director, said yesterday the new money indicated the importance Fiat attributed to the commercial vehicle sector in its strategic plans for balanced growth. Iveco intends to use the funds to maintain the current high level of investment in new products and production facilities.

He also reported during the run-up to the Turin truck show that preliminary results indicate Iveco, the second largest of Europe's heavy trucks producers, more than doubled its net profit after tax last year from Fl 120m in 1985 to Fl 284m on turnover unchanged at Fl 9m. All the major operating subsidiaries – in Italy, France (Unic) and West Germany (Magirus) - were profitable last year.

Mr Garruzzo predicted profit growth would continue in 1987 but not at such a fast rate.

The company is to pay a dividend of Fl 80m – its first payment since 1979 – next month if the board approves.

More international company news, Page 47

Capital investment last year increased by 34 per cent to Fl 261m while research and development investment - written off against annual profits – rose from Fl 279m to Fl 331m. Mr Garruzzo said investment spending would continue to grow this year because it had not yet reached its peak.

Iveco's cash flow was positive last year and would continue to be. The company's debt was reduced by 8 per cent to about Fl 1.38bn at the end of 1986. The reduction was 12 per cent before the consolidation on December 31 of the new Astra specialist vehicle subsidiary in Uraly and Iveco's 48 per cent share in Iveco Ford Truck in the UK.

Mr Garruzzo said the progress of Iveco Ford, formed in July last year, was on schedule. Accounts are being drawn up to cover the company's first six months and will include all start-up costs. The partners would as agreed, put in new money necessary to restore Iveco Ford's capital to £40m.

Iveco's production of vehicles of 3.5 tonnes gross weight and above last year fell by 3.6 per cent to 94,200 because an improvement in European demand was not enough to offset the sharp downturn in markets outside Europe.

Iveco is one of the world's leading producers of diesel engines. Last year production increased by 3.9 per cent to 286,000. Output of fork-lift trucks rose 9 per cent to 5,531.

Mr Garruzzo said production of vehicles, diesel engines and lift trucks this year, was not expected to alter significantly from the 1986 level.

Schering to keep dividend unchanged

By Leslie Colitt in Berlin

SCHERING, the West German pharmaceuticals and chemicals company, said it would recommend payment of an unchanged 24 per cent dividend at the shareholders' meeting in June.

The West Berlin company said group earnings last year were DM 141m ($78.3m) (DM 173m in 1985) while the parent company had net income of DM 108m (DM 112m in 1985). Of this, DM 40m is to be set aside as retained income.

The drop in group earnings was mainly the result of a decline in profitability of Schering's US subsidiaries. In addition, the company had non-recurring expenses in reorganising its UK subsidiaries.

In the first quarter of this year, group turnover fell 7.7 per cent to DM 1.2bn, reflecting the 80 per cent share of sales outside West Germany. After adjustment for exchange rate fluctuation, however, there was a slight increase in sales of 0.1 per cent.

Pharmaceutical sales rose worldwide while agro-chemicals and electroplating fell behind last year's turnover. Sales of industrial chemicals were equal to the 1985 level.

The strong D-Mark was the main cause in the fall in turnover. Schering said this would also influence this year's earnings. It said it was still "confident" that an overall increase in sales would again result this year in "satisfactory" earnings.

After a long period of continuous growth, turnover dropped last year by 9 per cent to DM 4.7bn.

Canada set to back Amoco bid for Dome

BY BERNARD SIMON IN TORONTO

THE CANADIAN Government was poised yesterday to throw its support behind the controversial bid by Amoco, the US oil group, for Dome Petroleum, the hard-pressed Calgary oil and gas producer.

Shrugging off critics who object to a US company acquiring control of a symbol of Canadian energy, cabinet ministers were expected to tell a press conference in Ottawa late yesterday afternoon that the takeover of Dome was a private sector affair.

According to an Energy Department official, a ministerial statement drafted earlier indicated that Ottawa had no objections to the C$5.1bn ($3.92bn) agreed bid between Amoco and Dome.

The Government's reaction is a setback to the competing bid for Dome by TransCanada PipeLines (TCPL), the Toronto pipeline operator. TCPL had hoped to capitalise on its position as a Canadian company to persuade the authorities to provide tax concessions worth several hundred million dollars for an improved offer.

Mr Neil Nichols, TCPL's chief financial officer, said yesterday that the company expected a ruling on its tax requests by the time parliament convened next Monday. He said TCPL was "encouraged" by talks with government officials earlier this week.

In an apparent bid to cool political opposition to the deal, Amoco has agreed to reinvest in Canada the combined cash flow of Dome and its existing wholly-owned Canadian subsidiary. The Chicago company has also promised not to remit dividends from its Canadian operations for the next five years.

Mr Howard Macdonald, Dome's chairman, said that secured creditors, who account for 70 per cent of the company's C$6.4bn debt, will face "minimal write-offs" under the Amoco bid. Unsecured creditors, however, will receive 34 or 35 cents to the dollar, Mr Macdonald said.

Dome expects to present detailed proposals to its 56 international creditors within the next two weeks. The company is still working on the details of allocations to different classes of secured creditors. The payments will depend on the type of collateral securing each loan.

Mr Macdonald yesterday welcomed the official attitude to the Amoco deal, saying that "the government line throughout has been to find a commercial solution. We couldn't have asked for better support."

Earlier, Mr Macdonald briefed Mr John Turner, leader of the opposition Liberal Party, on the Amoco bid. Mr Turner softened his criticism of the deal after the meeting.

Strong gains at Walt Disney

BY PAUL HANNON IN NEW YORK

WALT DISNEY, the US entertainment and leisure group, surged ahead in the second quarter of its fiscal year as its theme park and film divisions scored large gains in both revenue and profitability.

Net earnings were 76 per cent higher at $91m, or 66 cents per share, for the three months ended March 31 against $51.8m or 38 cents for the corresponding period. Revenue for the quarter rose to $766.3m against $592.4m, a gain of 29 per cent.

The group's core activities, the theme park and resorts business posted a strong 32 per cent gain in operating profit for the quarter to $119.6m on revenues which advanced 15 per cent to $414.8m.

The higher profitability was attributed to increased attendances at both Disneyland and Disney World and higher per capita guest spending.

The filmed entertainment division scored an even more impressive rise with revenues ahead 93 per cent to $250.7m and operating income up almost threefold to $43.7m from $14.1m in the year ago period.

US syndication of two large packages frm the Disney film library, combined with the licensing of feature films for network and cable television, had a major impart on earnings performance. Highly successful cinema releases such as The Color of Money and Outrageous Fortune and the reissue of Lady and the Tramp also added to the division's strong showing.

A reduction in interest expenses, stemming from lower borrowings and interest rates, helped cut total corporate outgoings by 21 per cent to $23.2m from $29.4m.

For the six month period, net income more than doubled to $181m from $86m on revenues of $1.52bn from $1.09bn. Per share earnings for the first half totalled $1.32 against 64 cents. In early New York trading, Disney shares firmed $¼ to $63⅞.

MCA, the California entertainment and property group, revealed lower profits for the first quarter of $28.2m or 37 cents per share compared with $30.9m or 41 cents. Revenue for the quarter improved to $533.2m from $513.5m.

The company said the latest figures included a pre-tax adjustment of about $4m relating to MCA's purchase of a 50 per cent stake in Cineplex Odeon in May 1986.

Salomon declines on lower revenues

By David Owen in New York

SALOMON INC, the large Wall Street investment bank which has been stepping up its international presence in recent months, reported a downturn in first quarter earnings yesterday on revenues 7 per cent lower than the year-ago period.

The firm's performance picked up markedly from its disappointing showing in the final 1986 period, however, prompting Mr John Gutfreund, chairman and chief executive, to pronounce the latest quarter "a good one for the company."

Net earnings totalled $149m, or 98 cents a share, compared with $190m, or $1.28, in the year-ago period, still the company's record quarter. First quarter revenues were $1.72bn against $1.85bn in 1986.

Wall Street reacted inconclusively to the figures in heavy early morning trading. By mid-morning, Salomon shares had edged up $⅛ to $35⅞.

Pre-tax earnings in three of the company's four units declined relative to a year ago. Philipp Brothers commodities trading operation registered proportionately the sharpest decline – from $21m in 1986 to $3m in the latest period.

Income from the company's engine-room, the Salomon Brothers securities subsidiary, slid from $285m to $248m over the same period while Phibro Energy earned $24m, a marginal improvement compared with the first quarter of 1986.

Salomon Brothers has been struggling to cope with the until recently sluggish market for securities and government bonds, which has coincided with higher costs from its rapid expansion into global capital markets. In 1986 alone, the company's workforce expanded by 40 per cent.

The company now appears to be beginning to reap the benefits of this expansion.

INTERNATIONAL COMPANIES and FINANCE

US retailers seek protection

BY OUR NEW YORK STAFF

MICHIGAN GENERAL and Cook United, two struggling retailers based in different parts of the US, have filed for protection under Chapter 11 of the US bankruptcy code, raising fears that the recent rise in US interest rates is beginning to take its toll on some of the more highly leveraged US corporations.

Michigan General, which has close ties with Mr Marshall Cogan's privately-owned General Felt Industries business empire and operates a chain of lumber and building products stores, has been trying for some time to refinance its high yield "junk bonds" in a bid to cut its heavy financing charges.

The company has been losing money for some years and lost $24.9m on sales of $386m in 1986.

Earlier this year it commenced an exchange offer for its $110m of 10⅞ per cent senior subordinated debentures due 1998 and warned that if this was not successful it might have to file for bankruptcy.

Mr Rocco A. Barbieri, chief executive, and a close associate of Mr Cogan, resigned earlier this year. Michigan General and its Diamond Lumber subsidiary filed for bankruptcy in the Northern District of Texas, Dallas division, on Wednesday.

Cook United, which is headquartered in Cleveland, Ohio, and operates a chain of discount stores, emerged from the bankruptcy courts only last October.

The company has cut the number of stores it operates in an effort to stem last year's loss of $16m. It said it had entered into an agreement with Smith Management, a company which specialises in corporate restructurings, to fund a reorganisation plan that Cook intends to file under Chapter 11.

Smith Management will advance Cook $500,000 initially and in return will receive warrants exercisable for up to 15 per cent of Cook's outstanding shares.

The two bankruptcy filings are likely to re-focus attention on some of the more highly leveraged smaller companies which have been relying on the so-called "junk" bond market for finance.

Many of them have only a small equity base to support a heavy debt load and rising interest rates can jeopardise their survival.

Forbes Magazine reported earlier this year that the privately-owned General Felt Industries had debt of $1.2bn – some 15 times its equity base.

Drexel Burnham, the New York investment bank which has pioneered the use of "junk" bonds is reported to have been helping Mr Cogan refinance some of his debts in an effort to ease his cash flow problems.

NORTH AMERICAN QUARTERLY RESULTS

AMP

Electrical products First quarter	1987 $	1986 $
Revenue	625.8m	453m
Net profits	54.1m	33.7m
Net per share	0.50	0.31

ANHEUSER-BUSCH

Brewing First quarter	1987 $	1986 $
Revenue	2.1bn	1.9bn
Net profits	128.1m	108m
Net per share	0.42	0.35

ASHLAND OIL

Second quarter	1986-87 $	1985-86 $
Revenue	1.62bn	1.82bn
Net profits	712,000	41.8m
Net per share	0.02	1.20

BAKER HUGHES*

Oil drilling services First quarter	1987 $	1986 $
Revenue	516.9m	N/A
Net profits	†153.9m	N/A
Net per share	†1.42	N/A

* Company formed April 3 by merger of Baker Intl and Hughes Tool.
† Loss.

BELL CANADA

First quarter	1987 C$	1986 C$
Revenue	3.5bn	3.1bn
Net profits	249m	240m
Net per share	0.90	0.93

BRIGGS & STRATTON

Engineer Third quarter	1986-87 $	1985-86 $
Revenue	269.5m	245.4m
Net profits	16.9m	18.1m
Net per share	1.17	1.32

COLGATE-PALMOLIVE

Detergents, toiletries First quarter	1987 $	1986 $
Revenue	1.3bn	1.2bn
Net profits	56.4m	49.3m
Net per share	0.81	0.70

COMPUTERVISION

CAD/CAM products First quarter	1987 $	1986 $
Revenue	139.8m	112.9m
Net profits	5.8m	†7m
Net per share	0.20	†0.24

† Loss.

COOPERS INDUSTRIES

Industrial, energy products First quarter	1987 $	1986 $
Revenue	800.5m	866.7m
Net profits	27.6m	25.8m
Net per share	0.56	0.53

ADOLPH COORS

Brewing First quarter	1987 $	1986 $
Revenue	268.9m	263.4m
Net profits	6.9m	7.1m
Net per share	0.19	0.20

DUKE POWER

Utility First quarter	1987 $	1986 $
Revenue	912.6m	833.4m
Net profits	139.7m	133.4m
Net per share	1.24	1.17

FINANCIAL CORP. OF AMERICA

Savings and loans First quarter	1987 $	1986 $
Assets	33.8bn	26.4bn
Net profits	9.2m	48.1m
Net per share	0.17	1.21

G. M. HUGHES ELECTRONICS*

Defence, aerospace First quarter	1987 $	1986 $
Revenue	2.88bn	2.66bn
Net profits	175m	153m
Net per share	0.88	0.77

* Owned by General Motors

HOLIDAY CORP.

Hotels First quarter	1987 $	1986 $
Revenue	399.2m	387.5m
Net profits	36.5m	18.8m
Net per share	1.53	0.77

KROGER

Supermarkets First quarter	1987 $	1986 $
Revenue	3.96bn	3.66bn
Op. net profits	34.1m	28.6m
Op. net per share	0.40	0.33

McKESSON

Consumer products distribution Fourth quarter	1986-87 $	1985-86 $
Revenue	1.71bn	1.63bn
Op. net profits	16.2m	17.3m
Op. net per share	0.37	0.40

NEWMONT MINING

Metals mining First quarter	1987 $	1986 $
Revenue	115.1m	83.2m
Net profits	24.8m	8.6m
Net per share	0.81	0.28

PHELPS DODGE

Metals, mining First quarter	1987 $	1986 $
Revenue	372.9m	230.9m
Op. net profits	11.7m	9m
Op. net per share	0.30	0.21

PUROLATOR COURIER

Courier service First quarter	1987 $	1986 $
Revenue	189.2m	203.6m
Net profits	†2.82m	†17.91m
Net per share	†0.37	†2.34

† Loss.

QUAKER OATS

Food processor Third quarter	1986-87 $	1985-86 $
Revenue	1.12bn	835.3m
Net profits	51.5m	42.7m
Net per share	0.65	0.53

RELIANCE GROUP HOLDINGS

Industrial holding company First quarter	1987 $	1986 $
Revenue	852.4m	720.6m
Net profits	30.2m	46.1m
Net per share	0.40	0.64

SANTA FE SOUTHERN PACIFIC

Railroads First quarter	1987 $	1986 $
Revenue	1.23bn	1.38bn
Net profits	45.9m	29.7m
Net per share	0.29	0.17

SARA LEE

Food processor Third quarter	1986-87 $	1985-86 $
Revenue	2.19bn	1.93bn
Net profits	58.4m	51.4m
Net per share	0.54	0.46

TIMES MIRROR

Media First quarter	1987 $	1986 $
Revenue	710.8m	604.8m
Net profits	58.2m	43.1m
Net per share	0.80	0.67

Fairchild to sell plants in Japan and West Germany

BY LOUISE KEHOE IN SAN FRANCISCO

FAIRCHILD SEMICONDUCTOR, the US chip maker that was forced to give up its plans to merge with Fujitsu of Japan in the face of US Government pressure, says that it must sell brand new production facilities in Japan and West Germany.

"The economics say the sales are critical. The company needs the cash and must cut its cost base," Mr Don Brooks, Fairchild president, said.

In Japan, Fairchild is seeking a buyer for its wafer fabrication plant in Nagasaki. The state of the art plant, which recently began pilot production, is worth more than $100m, Mr Brooks said.

Fairchild wants to sell a facility recently built in Wasserburg, West Germany.

The building was to have housed another wafer fabrication plant but has not been equipped, Fairchild said.

Fairchild said it had not yet received any offers for its plants, but industry analysts say the Japanese plant may prove attractive to US or European semiconductor manufacturers who aim to increase their Japanese sales.

Acquiring a state of the art plant would save a purchaser about two years in getting into production, Mr Brooks said.

Fairchild as a whole is also for sale, following the termination of its merger agreement with Fujitsu.

Mr Brooks has proposed a management buyout to Fairchild's parent company Schlumberger, but has yet to receive a definitive response. Separately, Schlumberger is understood to be seeking other bidders.

Allied-Signal slightly ahead after disposals

BY OUR NEW YORK STAFF

ALLIED-SIGNAL, the diversified US industrial conglomerate, showed a slight increase in first quarter net earnings to $198m or $1.13 a share against $186m, or 98 cents in the same quarter in 1986, on sales up at $2.64bn from $2.44bn previously.

However, the latest quarter included gains of $3m from discontinued operations and $42m from the disposal of various businesses. These included this month's $479m sale of Ampex, the world's leading professional video tape equipment manufacturer to Lanesborough, a privately-held investment concern.

A year ago the results included a $14m gain from discontinued operations.

The company attributed the 11 per cent decline in net income from continuing operations to lower margins, particularly in the aerospace sector, and increased development programme expenses.

The comparative figures are restated to exclude the sales and expenses of discontinued operations.

General Dynamics up

BY OUR NEW YORK STAFF

GENERAL DYNAMICS, the US defence contractor which manufactures F-16 fighter aircraft and Tomahawk cruise and tactical missiles, has turned in a significant increase in first-quarter earnings, due largely to improved performance by its Cessna Aircraft general aviation unit.

A $2.9m operating profit at Cessna, which General Dynamics acquired for $670m in 1985 before writing down its investment by a hefty $420m late last year, helped push net earnings in the latest quarter to $105.4m or $2.45 a share from $70.1m ($1.64 a share) a year ago.

In the 1986 quarter, Cessna contributed a $29.6m operating loss.

US uncertainties deflate dollar Eurobond sector

BY CLARE PEARSON

CONTINUED uncertainty about the dollar and fears that US interest rates might rise disheartened the dollar Eurobond market yesterday, even though the US Treasury market initially shrugged off the announcement of a larger-than-expected 4.3 per cent estimate for first quarter US growth in gross national product.

Eurobond prices ended the day about ¼ percentage point easier where changed, although turnover was thin.

In a subdued day in the new issues market, attention focused on a $600m deal for Mitsubishi Corporation—the big trading house—the largest equity warrants bond for a Japanese company yet seen. The deal came in the wake of a flurry of similar issues earlier this week.

Mitsubishi's bond, led by Nomura International, met a firm response. This was despite some reservations in the market about its aggresssive coupon. At 1¼ per cent, this outstripped the previous low set by Sumitomo Realty with a 1⅞ per cent bond on Tuesday.

An additional worry for dealers was the announcement by Moody's Investors Service on Wednesday that it was putting the company's long-term debt rating under review for a possible downgrading, along with those of Sumitomo and Mitsui, because of concerns *about the effects on these companies* of decreasing earnings from their traditional trading activities. Mitsubishi's senior debt is rated AA-1.

Nevertheless, Mitsubishi's five-year deal traded at around 106¾, compared with a par issue price.

Elsewhere, Swiss Bank Corporation International led an A$100m three-year deal for its parent, Swiss Bank Corporation, issued through a Cayman Islands subsidiary. The 14 per cent, priced at 101½, traded comfortably within fees.

INTERNATIONAL BONDS

Swiss Bank Corporation also announced a $100m convertible bond for Cetus, the California-based biotechnology company.

The deal traded above its par issue price. It may have received a boost from a news report on Wednesday that the US National Cancer Institute was urging the Food and Drug Administration to expand the use of Cetus' cancer drug, Interleukin—2.

The 15-year issue, priced at par, carries an indicated 5½ to 4½ per cent coupon an dindicated 20 to 25 per cent conversion premium.

Citicorp Investment Bank led a C$75m five-year 9¾ per cent bond for Royal Trustco, priced at 101⅝ to return initially about 73 basis points over *yields* on *Canadian Government* bonds. The deal made slow progress as the Euro-Canadian market traded nervously, in sympathy with the Eurodollar sector.

PaineWebber International led a $25m convertible bond for J. Bildner and Sons, the Boston-based speciality food and grocery store chain which made an initial public offering in the US last October. The coupon on the 15-year par-priced bond was quoted at between 6 and 6½ per cent, and the conversion premium at between 20 and 25 per cent.

Den Danske Bank announced a DKr 400m deal for Nordic Investment Bank, which was increased from DKr 300m following strong demand. The five-year 11 per cent bond was priced at 101½.

Dealers in the D-Mark market started the day in cautious mood as the US Treasury market had closed lower, and marked prices down by about ¼ point. During the afternoon prices recovered to end slightly firmer on the day.

Turnover was thin, continuing the trend of recent weeks when uncertainty about the direction of the dollar has set the tone for the market.

In the Swiss franc foreign bond market prices moved about ¼ point lower in average volume.

The recent SFr 250m 2 per cent equity warrants bond for Mafina, the subsidiary of Petrofina, closed at par, down ¼ point from its first day's trad*ing on Tuesday. Hoechst's* SFr 130m 5 per cent bond closed at 108, ¼ point lower than the previous day's close.

Swiss insurer plans SFr 720m rights

BY JOHN WICKS IN ZURICH

*ZURICH INSURANCE is to pro*pose an increased dividend and the raising of SFr 720m ($480m) through a rights issue, at its May 20 shareholders' meeting.

The *Zurich-based company* net profits rose 14 per cent in 1986 to SFr 140.8m, which is attributed to "significantly improved" underwriting results. The board foresees distribution of SFr 56 per bearer and registered share (1985: SFr 52) and *SFr 28 (1985: SFr 26) per participa*tion certificate. Some SFr 50m, against SFr 48m in 1986, will be transferred to reserves.

The board intends to raise share capital from SFr 120m to SFr 150m and participation-certificate capital from SFr 35m to SFr 45m.

This would take place by a one-for-five rights issue of 200,000 registered shares and 100,000 bearer *shares, each of SFr 100 nominal val*ue, at a unit price of SFr 1,800, and 200,000 participation certificates of SFr 50 nominal value at a price of SFr 900 each.

At the same time the company would issue 20,000 new registered shares, 40,000 bearer shares and 60,000 participation certificates, all exclusive of drawing rights. These will be set aside for possible acquisitions or other purposes.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Japanese utilities switch to Euro-issues

By Yoko Shibata in Tokyo

Euroyen bonds are fast becoming a major vehicle for Japanese electric utilities to raise cheap funds for equipment investment, with issues from the industry amounting to some Y210bn ($1.47bn) in less than three months.

The power industry, by the nature of its business, is heavily borrowed, with debts totalling more than Y19,000bn in bonds and bank borrowings for the nine leading electricity producers.

Of the nine, Kansai Electric Power will float Y60bn in Euroyen bonds on April 30 and *Hokuriku Electric Power* is also planning a flotation of about Y15bn in May. This follows pioneer Euroyen issues in March by Tokyo Electric Power and Chugoku *Electric Power which* raised Y60bn and Y15bn respectively.

Then came Kyushu Electric Power with Y20bn earlier this month and Y40bn on Wednesday for Chubu Electric Power. The latest issue was led by Union Bank of Switzerland (Securities) and was the first Euroyen mandate granted by any Japanese borrower to a foreign house.

The shift to the Euroyen bond market comes at the expense of the domestic corporate bond market where the nine companies had been key *names, and reflects the rela*tively low issuing costs outside Japan. The Chubu issue, for example, carries a coupon of 4.75 per cent, compared with the 4.9 per cent which prevails in the domestic market.

According to capital spending projections made available last week, the nine utilities plan to lay out a total of Y3,444bn for their financial year which started this month. This represents a dip of 9.8 per cent on the previous 12 months.

Tiffany seeks $84m or more with offering

By Alexander Nicoll

Tiffany and Co, the New York jeweller, is tapping the inter*national equity market for a* portion of a public offering of shares with a total value of at least $84m.

The offering of 4m shares, of which 800,000 are to be sold *internationally* and the reminder in the US, will reduce the holdings of Investcorp, the Bahrain-based investment bank, and General Electric Credit Corporation. They had participated in a leveraged buyout of the company.

Investcorp's stake will be cut from 49.8 to 28.2 per cent and GEC's from 25.7 to 15.3 per cent by the sale, which is divided about equally between new shares and those being offered by existing holders.

The indicated price range is $21 to $23, with final terms to be set in May. Shearson Lehman Brothers International is handling the international tranche, and its *New York parent the US por*tion.

Nokia-Mobira buys US paging operator

By Olli Virtanen in Helsinki

NOKIA-MOBIRA, the Finnish mobile telephone manufacturer, has entered the US paging operator market by acquiring Diversicom Cue, the country's biggest company in the field.

The purchase price has not been disclosed.

The network, which will be *run by Cue Paging, a purpose-*established subsidiary, covers more than 60 cities from New York to Los Angeles. Nokia-Mobira expects the network to spread to cover 150-200 cities *in the next few years.*

The network was sold by American Diversified Capital, to whom Nokia-Mobira has delivered paging equipment since 1984. The Finnish company made the purchase decision when the "opportunity came our way."

A subsidiary of the Finnish Nokia group, Nokia-Mobira is one of the world's leading manufacturers of mobile telephone equipment with a market share of 16 per cent world wide, including a joint venture manufacturing plant with Tandy of the US in South Korea.

Total sales of Nokia-Mobira amounted to FM 87m ($195m) in 1986, of which FM 167m came from the US.

Francis Ghiles on the difficulties facing a North African borrower

Algerians fail to plead their case

THE DECISION by Sonatrach, Algeria's oil and gas monopoly, to drop a £75m bankers acceptance facility underlines the difficulties the North African country is meeting in raising the estimated $4.5bn it needs *this year to finance its balance* of payments deficit and service foreign debt. The company had asked Lloyd Merchant Bank to arrange the facility two months ago.

The market felt that the initial five-year facility for Sonatrach was mispriced. Conditions included an annual margin to the banks for bills of up to and including six months of ⅝ per cent and for three to six-month bills of 0.7 per cent. The management fee was 1 per cent and the commitment fee ¼ per cent per annum. When Lloyds Bank went back suggesting a one-year renewable facility with an interest rate spread of ⅜ per cent, a management fee of ½ per cent and a commitment fee of ⅛ per cent, the Algerians baulked.

The simultaneous appearance of another loan, being arranged by Long Term Credit Bank of Japan, did not help though the two facilities were aimed at different segments of the market.

This second facility was split between a seven-year loan for *$75m which carried a margin* over Libor of ⅝ per cent and a 10-year Y12bn ($80m) Japanese leasing loan. The first element was drawn down the day after signing on March 11.

A number of international banks, notably US ones, are lowering their ceilings on loans to Algeria as they feel the risk has heightened. More cautious lending policies are necessary, they argue, because the country's foreign income declined *from $13bn to $8bn between* 1985 and 1986. This has made Algeria's debt service $3.9bn last year and maybe a little lower this year — much heavier to bear.

ALGERIA IN 1987 (US$bn)			
Exports+8.5		*Principal long and medium-term debt repayments*	2.4
Imports−7.5		Short Term Debt and Trade Arrears	0.5
Trade Balance	+1.0		
Debt Interest Payments	−1.5	Foreign Reserves (minus gold)	1.2
Services	−0.8	Foreign Exchange Requirements	4.2
Balance of Payments	−1.3		

FT Estimates

Bankers acknowledge that Algeria has balanced its trade by tightening its belt very sharply: imports have been slashed by about 40 per cent, subsidies on many basic foodstuffs cut, and taxes increased. Last year's austerity continues and there is little sign of any relaxation.

Banks' reticence over medium-term lending also relates to their preference for supporting clients which are bidding for projects in Algeria or subscribing some of the shorter-term paper (up to 2½ years) which Algerian banks have been raising these past nine months.

Banks also find they have unused lines of credit in abeyance as their clients compete for projects which take a long time to be decided. Hence the *market "seizes" up further,* making the task of raising medium-term credits all the more difficult. The stiff resistance to requests by banks for higher margins has not, since 1985, made Algerian borrowers more popular, although they have progressively accepted higher margins on loans.

In project finance, Algerian companies have increasingly insisted that the usual 15 per cent downpayment, in cash be rolled in to the overall supplier credit. They have also tried to convince some western export credit *agencies to guarantee* short-erm bank credits for the import of spare parts.

The short-term funding is also believed to be earmarked for the payment of trade arrears which built up in the second half of last year and are estimated to have reached about $1bn by last December. Since then, however, a number of companies have been paid.

None of the major Western export credit organisations has refused to guarantee Algerian risk. Indeed SACE of Italy recently provided guarantees for a further $300m line of credit. France's Coface might follow suit if there is a satisfactory outcome of a meeting between the Algerian Minister of Finance, Mr Abdelaziz Khellef, and his French counterpart, Mr Edouard Balladur, scheduled *for later this month.* Algerian trade arrears with French companies amount to FFr 1bn and Paris will wish to see that figure trimmed before it comes up with any new package.

But the Algerian authorities would do no harm to their relations with international banks if they were to provide more accurate and timely information on the balance of payments, the foreign debt and oil and gas export income remains exceedingly difficult and provides a fertile breeding ground for rumour.

Not once in recent years have senior members of the Algerian establishment convened a meeting of bankers (or, indeed, international companies' representatives) to explain the many *changes they are introducing* or seeking to introduce into the running of the economy. A greater willingness to open their books and plead their case could make raising funds abroad that much smoother.

Merrill applies for banking licence in West Germany

BY STEPHEN FIDLER

MERRILL LYNCH, the US *securities house, has applied for* a banking licence in West Germany and is to reorganise part of its Swiss operation. The two moves are aimed at developing the firms capital markets business in Europe.

The setting up of a banking subsidiary in West Germany of the London-based Merrill Lynch International Bank is an attempt to take advantage of West German capital market reforms and follows decisions by two other US investment houses, Salomon Brothers and Morgan Stanley, to open offices in Frankfurt.

Unlike those two firms, Merrill already has a significant presence in the country. Its *five offices, employing 350* people, include an operation in clients, but are mainly involved in private client business.

The main initial advantage to Merrill of the licence would be to allow it to lead manage D-Mark bond issues, but Mr Stanislas Yassukovich, London-based chairman of the firm's European and Middle East operations, said a subsequent step might be membership of the Frankfurt Stock Exchange.

The firm also is moving its Swiss capital markets operations, hitherto part of its Mer*rill Lynch Banque Suisse sub*sidiary, out of the bank and from Geneva to Zurich.

Lower earnings seen by Dutch bio-tech group

By Our Financial Staff

GIST-BROCADES, the Dutch bio-technology group, said yestereday that 1987 net profits would be slightly below 1986 because of pressure on yeast product prices.

Last month the company reported a 10.9 per cent increase in 1986 net profit to Fl 111.1m ($54m).

Over-production in the world yeast market reduced earnings of its yeast division in the second half of 1986. Increased productivity this year would not fully compensate for the lower price trend, it said.

The sharp fall in the dollar and other world currencies had also reduced guilder income.

Results dip at Union Bank of Switzerland

UNION BANK of Switzerland, the biggest of the Swiss "Big Five," reports "generally satisfactory business development" for the first quarter. Results, however, did not match the record levels for the corresponding 1986 period but income was higher than that for the third and fourth quarters of last year, John Wicks reports from Zurich.

Compared with the final quarter of 1986, interest income showed a slight increase despite the further contraction of margins due to larger business volumes.

Balance-sheet total at December 31 was up only SFr 1.2bn at SFr 153.3bn.

South Korea takes control of Pan Ocean

BY MAGGIE FORD IN SEOUL

SOUTH KOREAN finance officials yesterday moved to take control of the management of Pan Ocean Shipping, the country's largest shipping company, amid drama sparked off by the suicide of its chairman last weekend.

The debt-ridden company is to be placed under the control of Korea Exchange Bank, and will effectively be in the charge of the government. The move follows demonstrations by the staff of the company over its future, and accusations against Pan Ocean's late chairman and current president of illegal foreign exchange transactions and tax evasion.

Mr Ken Suk Park, the chairman, threw himself from the 10th floor of the company's headquarters last Sunday. He was said to have been involved in acrimonious arguments with Mr Sang Yon Hahn, the company's president, over management of the ailing concern, which has debts of more than $1bn.

Tax officials were reported as saying that Pan Ocean employees had tipped them off about Mr Park's alleged activities. The chairman committed suicide just before he was due to attend an appointment at the Office of National Tax Administration.

The company had been in difficulty for some years due to the world recession in shipping. It had already been involved in one government reorganisation, when it had to absorb five other debt-laden companies. The company at present has more than 80 vessels, mostly bulk carriers, and paid-up capital of 38bn won ($45m).

Foreign banks are believed to have loan exposure of around $22m to the company. The government has directed an inspection team led by another Korean bank to dispense emergency funds to meet Pan Ocean's bills until the crisis is smoothed over.

The death of Mr Park has shocked the South Korean business community which attended his memorial service in strength earlier this week. Mr Park, the brother of Mr Tong Sun Park who was involved in the "Koreagate" rice imports scandal in the US during the 1970s, was a fluent English speaker and was described as "very social" by observers.

Readers of Seoul newspapers have been deluged with stories about the lifestyles, houses, foreign trips and family arrangements of both businessmen over the past week.

An editorial in one newspaper pointed out, however, that the death had left a message that both government and banks should take due responsibility for maladministration and failure to take effective measures in cases involving insolvent businesses.

The South Korean government has been forced to undertake a number of bail-outs of insolvent companies over the past few years, mostly in the construction and shipping sectors. Usually they have approached the matter under what is known as the 10-10-10 formula.

A healthy company is directed to take over an ailing concern, along with its debts. A 10-year loan is offered by the government, with a 10-year grace period and a 10 per cent interest rate. The terms offered to Pan Ocean when it took over the five indebted companies in 1983 are believed to have been more onerous, exacerbating the difficult relationship between president Hahn and chairman Park.

While South Koreans are critical of businessmen who accept government handouts and favoured treatment to save badly managed businesses, public opinion seems divided over Mr Park's suicide, especially since investigations into tax evasion are a common phenomenon in the business community.

Hyundai Motor plans diversified expansion

BY NICK GARNETT, RECENTLY IN SEOUL

HYUNDAI MOTOR, South Korea's largest vehicle maker, will raise its car production from 420,000 last year to about 600,000 this year, according to Mr Chung Se Yung, the newly appointed chairman of the Hyundai group.

This is in line with capacity at the company's sole car production site at Ulsan following an expansion of its facilities which came fully on stream this month.

Hyundai, which has as its main models the subcompact Pony and Excel and the mid-sized Stellar, is increasing capacity at Ulsan this year to 750,000 cars.

Mr Chung — who took over the chairmanship of Hyundai in January from his elder brother, Mr Chung Ju Yung — said this expansion phase should be completed by the end of 1987.

The company sold 168,200 cars in the US last year — almost all front wheel drive Excels. This was well above the company's stated output of 100,000 cars.

Last year Hyundai shipped 11,000 cars to the UK, the company's largest European market, and sold 7,000 of these during the 12-month period. It exported a further 4,000 cars to the rest of Europe, mainly the Netherlands, Belgium and Italy.

Mr Chung said Belgium was "almost dead" as a market for Hyundai but Italy was seen as a potential sales growth area.

Hyundai predicts that it will sell between 200,000 and 250,000 cars in the US this year. It had 161 distributors in 31 states at the end of 1986 and will increase this number but not "radically." It is also planning to increase sales in Europe to between 18,000 and 19,000 this year.

Industry analysts expect Hyundai to export at least 250,000 cars to the US this year and about 400,000 in 1988.

However, Hyundai, whose vehicle building business is 15 per cent owned by Mitsubishi of Japan, is extremely nervous about the possibility of US protectionist measures

That could have serious repercussions for a company that is so dependent on the North American market and which has talked of raising its production to more than 1m units by the early 1990s.

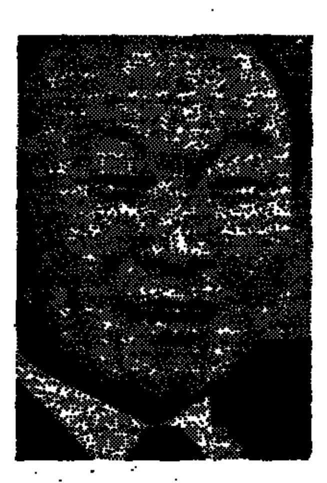
Mr Chung said he hoped import restrictions would not be introduced and added that the company will consider during the next one to two years whether to establish a car plant in the US. Hyundai is already building an assembly plant in Canada due to come on stream in 1988. The construction of this plant, which will have a capacity of 100,000 cars, is on target.

Sales of the Excel in Canada stood at 70,000 last year, which is below what the company had hoped, though it remains the leading car importer there.

"We will diversify our markets in the future," said Mr Chung. "Today we export to six countries but we will reduce our independence on the US. We are looking at Latin America, the Middle East and more European countries."

Excels retail for as low as $5,195 in the US though the biggest sales are of Excel models costing $7,400.

Hyundai is facing much stiffer competition in the domestic market as a result of expanding production by Daewoo Motor in which General Motors has a 50 per cent stake and the emergence of Kia this year as a car producer.



Mr Chung Se Yung, the newly appointed chairman of the Hyundai group

Ito-Yokado lifts group earnings by 9%

ITO-YOKADO, one of Japan's leading supermarket chain operators, lifted consolidated net profits by 9 per cent to Y34.76bn ($244.2m) in the year to February reports Yoko Shibata from Tokyo.

The result came on turnover of Y1,281.2bn, up 6 per cent, and reflected the performance of 22 subsidiaries including three key units listed on the first section of the Tokyo Stock Exchange—Seven-Eleven, York-Benimaru and Denny's Japan.

RESULTS FOR YEAR TO FEBRUARY (Ybn)

	Sales	Pre-tax profit	Net profit
Group	1,281.2 (+ 6%)	103.90 (+10%)	34.76 (+ 9%)
Parent	987.8 (+ 3%)	52.07 (+12%)	24.51 (+18%)
Seven-Eleven	521.9 (+15%)	31.25 (+22%)	14.44 (+24%)
York-Benimaru	97.8 (+ 4%)	4.49 (+21%)	2.22 (+20%)
Denny's Japan	51.9 (+ 8%)	4.57 (+22%)	2.00 (+21%)

The three together with Ito-Yokado parent all plan to increase their dividends by Y1 per share in the current year.

The parent company suffered from sluggish sales of clothing and fresh foods, attributed in part to warm winter weather. This was offset by volume effects from the opening of four new outlets and a Y556m increase in non-operating earnings.

At Seven-Eleven, turnover rose 15 per cent on the back of an increase in the number of franchised convenience stores to 310 and increased sales of magazines, cosmetics and other food items.

The company carried out a three-for-two stock split during the year and thus intends to adjust its dividend downwards from Y28 to Y23 per share. The payout for the current year is due to rise again to Y24.

BBK breaks even for second successive year

BY OUR FINANCIAL STAFF

A SECOND successive year at break-even has been reported by Bank of Bahrain and Kuwait (BBK), one of Bahrain's two largest commercial banks, as provisions absorbed all surplus income.

Operating revenues were more than halved to 3.2m Bahrain dinars ($8.5m) in 1986 from BD 7.8m, sums which in both periods were entirely committed to provide for bad and doubtful loans said to stem largely from Kuwait.

Net of provisions, loans and advances dropped 16.8 per cent to BD 430m while interest income at BD 52.5m was 27.3 per cent lower.

Mr Rashid Zayani, the chairman, said earnings were adversely affected by lacklustre regional markets and limited new business opportunities. He said a number of loans had been restructured and the value of some BBK assets revised downward.

Last year, BBK called successfully on shareholders for BD 54m in new capital. The bank is half owned by Kuwaiti institutions and half by Bahrainis. Again, no dividend has been paid.

Datuk Keramat returns to profits and dividends

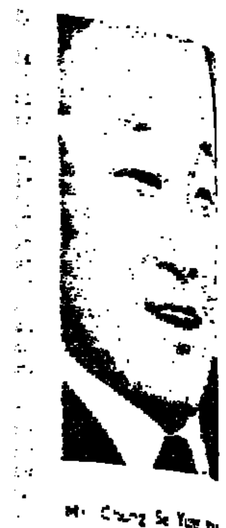
BY WONG SULONG IN KUALA LUMPUR

DATUK KERAMAT Holdings (DKH), one of Malaysia's two tin smelting companies, has reversed two years of losses and reported an operating profit of 5.3m ringgit (US$2.1m) for the year to January. The operating loss the previous year was 6.4m ringgit. The company is restoring a dividend, of 57 cents per share.

DKH said that despite "continued market adversity," the group had improved earnings, in part due to a writeback of some of the provision for doubtful debts, in respect of tin purchases made by a subsidiary on behalf of the International Tin Council. This was due to a rise in the tin price.

Group turnover fell from 444m ringgit to 177m ringgit.

DKH also recorded an extraordinary profit of 13.4m ringgit arising from the sale of investments in mining companies, including its 16.4m shares in Malaysia Mining Corporation.



APPOINTMENTS

Reorganisation at Morgan Guaranty

Mr David Band, who has been head of MORGAN GUARANTY LTD, and Mr Douglas A. Warner III, who has been in charge of MORGAN GUARANTY TRUST COMPANY'S London office, will be recommended to the board at its May 13 meeting for promotion to executive vice president and assigned broader responsibilities. Mr Band becomes head of a new region, encompassing Europe including the UK and Scandinavia, the Middle East, and Africa. He also becomes a member of the bank's operating committee and will become chairman of Morgan Guaranty Ltd. He will continue to be based in London. Mr Warner, who has been senior vice president since 1985 and general manager of the London office since 1986, returns to New York as head of the Americas region, encompassing the US, Canada, and Latin America. Mr Eric Bourdais de Charbonnière, senior vice president, currently in charge of the bank's business in continental Europe, has been assigned to work with Mr Band to achieve a more functional organisation in Europe. Mr Bourdais will also be named a director of Morgan Guaranty Ltd. Mr Walter A. Gubert, senior vice president and head of international financial management in New York succeeds Mr Band as managing director of Morgan Guaranty Ltd in London. Mr Richard Delbridge, senior vice president and assistant general manager of the London office of Morgan Guaranty Trust Company, succeeds Mr Warner as general manager of that office. Mr George W. Rowe, senior vice president, who has been head of the financial institutions area of the corporate finance group in New York, becomes deputy general manager of the London office.

★

BARKER & DOBSON GROUP has appointed Mr Tony Birch managing director of Budgen. He joined in November 1986 as marketing director.

★

Mr A. S. Soutar is to become director of personnel for ROSYTH ROYAL DOCKYARD. Babcock Thorn was awarded the contract for the agency management of Rosyth Royal Dockyard from April 6. Mr Soutar joins Babcock Thorn from the Scottish Health Service where he held the position of director, management development.

★

Dr Brian Edmund King has been appointed chief executive of BARNSLEY BUSINESS AND INNOVATION CENTRE from May 1. Dr King has been director and chief executive of the Wira Technology Group since November 1967.

★

JACQUES VERT has appointed Mr David Tiedeman to its board as an executive director. He was a member of the board of Littlewoods, chain store division.

★

Mr Christopher Kennedy and Mr Rob Maxted have been appointed directors of SPEYHAWK following the acquisition of the minority interests in Mount Row Properties.

★

Mr Fred Strickland has been appointed a managing director of FIRST CHICAGO, London. He was head of the corporate finance group (London) of Bank of America. Also joining are Mr Michael Crosland, as a senior project officer and director, and Mr Grahame Sweetsur, as a project officer and associate director. Mr Crosland joins from Lloyds Merchant Bank, capital markets group, and Mr Sweetsur from King-Wilkinson.

Philip Haigh and associates has acquired a 39.7 per cent share of MINTY GROUP. Mr Philip Haigh, managing director of the Architectural Trading Co and a former director of Ryman, will join the board of Minty as chief executive. Mr Simon Fussell, chairman of ATC, will become non-executive chairman of Minty. Mr Fussell is also chairman and chief executive of Priest Marians Holdings.

★

At RACAL AVIONICS Mr Leo Gallagher has become marketing director. Mr Gallagher joined three years ago as chief of sales (Naval Air Systems) and was appointed marketing executive in 1986. He succeeds Mr John Adam, who retires but is retained as a consultant.

★

Mr Derry C. Guy has been appointed a director at AML BABCOCK AND BROWN. Previously he was head of the asset finance unit at Samuel Montagu and Co and a director of Samuel Montagu Leasing Services.

★

Mr Trevor Adamson has been appointed deputy regional director of NATIONAL WESTMINSTER BANK'S Manchester-based north region. He has been head of public affairs for the bank since 1985 and now succeeds Mr Bill Barron, who becomes an assistant general manager at London head office.

★

CLUFF OIL HOLDINGS has appointed Dr Michael Martineau managing director of its minerals subsidiary, Cluff Mineral Exploration. He was previously a senior executive with BP Minerals.

★

Mr Roger S. Dobson has been appointed chairman of the ENERGY INDUSTRIES COUNCIL for a three-year term. Mr Dobson is managing director of Laing Bechtel Petroleum.

★

Mrs Rosemary Brown has been appointed a non-executive director of POINTON YORK (Pensions and Investment), a member of the Pointon York Group.

Board changes at Johnson Matthey

The executive board of JOHNSON MATTHEY is to be expanded. Mr I. G. Thorburn, executive director, finance, will become executive director, audit and administration. His responsibilities will include the internal and security audit, legal and property functions, as well as public and shareholder relations. Mr Thorburn was appointed to the board in 1983. Mr S. B. Birkenhead will join on May 20 as executive director, finance, to succeed Mr Thorburn. He joins Johnson Matthey from Shell UK Oil where he was finance and information services director, having previously held the position of treasurer, Shell UK.

★

Mr George Latham, director of finance and administration at the R. P. SCHERER HQ and plant in Swindon, Wilts, since 1984, has become deputy managing director and is responsible for general day-to-day operations. He was appointed a full member of the board in December 1986, and company secretary in April 1985.

★

Mr David Hoddy has been appointed a director of ILLINGWORTH, MORRIS. Since October 1985 Mr Hoddy has been responsible for the woolcombing, scouring and associated businesses and operations of Woolcombers (Processors), a subsidiary company.

★

The new president of the NATIONAL COUNCIL OF BUILDING MATERIAL PRODUCERS (BMP) is Mr Ron Greves, chairman of Meyer International. He succeeds Sir Colin Corness, chairman of Redland, who becomes a vice-president.

★

ISYS has made two appointments to its board. Mr Walter Goldsmith is appointed deputy chairman. Mr Goldsmith is a director of several companies and his career includes being director general of the Institute of Directors and chief executive of Black & Decker. Dr Albert Sloman is appointed non-executive director. Dr Sloman is vice-chancellor of the University of Essex.

★

F. J. C. LILLEY has appointed Mr Bernard Doyle to the group's main board from June 20 as director of operations US responsible for the group's North American operations. He will be based in Denver, Colorado.

★

Mr Michael K. Shaw is to be group managing director of ARMSTRONG EQUIPMENT. He has held the same post at Clayton Dewandre Holdings since 1978.

★

On his election to the board of Riggs National Corporation of Washington, DC, Marquess Townshend has retired from the board of AP BANK. Sir James A. S. Cleminson has been appointed chairman of the bank.

★

ETHYL PETROLEUM ADDITIVES has made Mr Michael J. Heath its managing director. He was formerly European sales and marketing director.

★

CAPE INDUSTRIES has made the following directors of Cape Boards Ltd: Mr John Munday—sales and marketing, Mr Ian Davis — purchasing, Mr Bob Kingsnorth—operations, and Mr Ian Widdowson—finance.

★

Mr R. W. Mellor, executive director — product development, Ford Motor Company, has been appointed secretary (chief executive) of the INSTITUTION OF MECHANICAL ENGINEERS from June 1. He succeeds Mr Alex McKay, who is retiring.

Transvaal

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Report of the Directors for the quarter ended March 31 1987

WESTERN DEEP LEVELS

Western Deep Levels Limited

Registration No 57/02949/06

ISSUED CAPITAL: 27 104 115 shares of R2 each

	Quarter ended Mar 1987	Quarter ended Dec 1986	Year ended Dec 1986
OPERATING RESULTS			
Gold			
Area mined—m² 000	212	211	776
Tons milled—000—reef	980	940	3 590
—waste	479	497	1 937
—total	1 459	1 437	5 527
Yield—g/t—reef	8.96	9.17	9.67
—waste	1.52	1.44	1.28
—average	6.52	6.50	6.73
Production—kg	9 509	9 334	37 200
Cost—R/m² mined	624.66	576.18	562.54
—R/ton milled	90.34	84.60	78.98
—R/kg produced	13 861	13 025	11 735
PRICE RECEIVED ON SALES			
Gold—R/kg	27 109	29 319	27 040
—$/oz	403	408	365
FINANCIAL RESULTS	R000	R000	R000
Turnover	278 224	297 090	1 045 702
Gold—revenue	254 990	277 198	1 011 081
—costs	131 804	121 575	436 530
—profit	123 186	155 623	574 551
Uranium oxide profit	10 290	10 607	18 138
Net sundry income	6 033	5 643	18 511
Profit before taxation	139 509	171 873	611 200
Provision for taxation	62 230	62 907	207 074
Profit after taxation	79 279	108 966	404 126
Appropriation for capital expenditure	38 358	61 844	237 942
Profit available	40 921	47 122	166 184
Dividend—interim			69 345
—final			96 539
Retained profit for the year			300
Earnings per share—cents	150	173	611
Capital expenditure—R000	38 358	60 358	251 779

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended March 1987							
Ventersdorp Contact reef	5 621	59	56.1	43.90	2 463	—	—
Carbon Leader reef	8 378	—	—	—	—	—	—

DIVIDEND
The final dividend of 355 cents a share in respect of the year ended December 31 1986 was declared on January 22 1987, payable to members registered on February 6 1987 and was paid on March 13 1987.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at March 31 1987 totalled R61 855 000.

12 PER CENT UNSECURED DEBENTURES 1986-1990
SHARE OPTIONS 1986-1990
PROPOSED CREATION OF S ORDINARY SHARES
The attention of debenture holders, option holders and shareholders is directed to the announcement which was published on April 9 1987. Copies of the announcement were posted to all such holders at their registered addresses.

Forms for the exercise of options for shares within the period May 28 to June 26 1987 were posted to registered option holders on April 9 1987.

For and on behalf of the board
E.P. GUSH
T. L. PRETORIUS } Directors

April 24 1987

ERGO

East Rand Gold and Uranium Company Limited

Registration No 71/07001/06

ISSUED CAPITAL: 42 078 712 shares of 50 cents each

	Quarter ended Mar 1987	Quarter ended Dec 1986	Year ended Mar 1987
COMPANY RESULTS			
Material treated—tons	5 370 000	5 615 000	22 350 000
Gold production—kg	2 236	2 275	8 708
Uranium production—kg	39 938	38 886	154 627
Acid production—tons	128 573	133 031	503 441
PRICE RECEIVED ON SALES			
Gold—R/kg	27 282	29 551	27 468
—$/oz	402	408	376
	R000	R000	R000
Turnover	73 684	76 563	288 074
Revenue	73 684	76 563	288 074
Cost of sales	43 429	39 851	167 354
Operating profit	30 255	36 712	120 720
Net sundry income	181	751	1 616
	30 436	37 463	122 336
Deduct:			
Royalty	777	1 069	3 990
Profit before taxation	29 659	36 394	118 346
Provision for taxation	45	654	3 837
Profit after taxation	29 614	35 740	114 509
Appropriation for capital expenditure	20 743	22 824	71 277
Profit available	8 871	12 916	43 232
Dividend—interim			21 039
—final			21 039
Retained profit for the year			1 154
Earnings per share—cents	21	31	103
Capital expenditure—R000	21 985	28 988	84 994
ERGO DIVISION			
Slimes treated—tons	4 844 000	5 055 000	20 107 000
Gold production—kg	1 743	1 827	6 752
—unit cost R/kg	15 268	14 447	14 983
Uranium production—kg	39 938	38 886	154 627
Acid production—tons	121 301	123 953	472 914
	R000	R000	R000
Revenue—gold and silver	47 774	55 334	185 868
—uranium and acid	11 658	7 707	45 961
—total	59 432	63 041	231 829
Cost of sales	33 174	30 061	127 575
Operating profit	26 258	32 980	104 254
Net sundry income	181	742	1 598
Profit before taxation	26 439	33 722	105 852
Capital expenditure	3 098	3 258	13 055
SIMMERGO DIVISION			
Sand treated—tons	485 000	521 000	2 089 000
Ore milled—tons	41 000	39 000	154 000
Gold production—kg	493	448	1 956
—unit cost R/kg	20 734	21 924	20 289
Acid production—tons	7 272	9 078	30 527
	R000	R000	R000
Revenue—gold and silver	13 812	13 050	54 517
—acid	440	472	1 728
—total	14 252	13 522	56 245
Cost of sales	10 255	9 790	39 779
Operating profit	3 997	3 732	16 466
Net sundry income	—	9	18
Deduct:			
Royalty to Simmer and Jack Mines Limited	777	1 069	3 990
Profit before taxation	3 220	2 672	12 494
Capital expenditure	1 599	301	2 852
DAGGAFONTEIN DIVISION			
Capital expenditure	17 268	25 429	69 087

DIVIDENDS
Details of the dividends declared in respect of the year ended March 31 1987 are as follows:

	Dividend No. 16 (interim)	Dividend No. 17 (final)
Declaration date	October 16 1986	April 23 1987
Amount per share	50.0 cents	50.0 cents
Payable to members registered on	November 7 1986	May 8 1987
Payment date	December 12 1986	June 12 1987

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at March 31 1987 totalled R7 792 000, which included an amount of R1 006 000 for the Simmergo Division and R4 766 000 for the Daggafontein Division.

PROPOSED CREATION OF S ORDINARY SHARES
POSTPONEMENT OF FIRST DEBENTURE CONVERSION DATE
The attention of members/debenture holders is drawn to the announcement which was published in the Press on Wednesday, April 15 1987. Copies of the announcement were posted to all members/debenture holders at their registered addresses.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

April 24 1987

SOUTHVAAL HOLDINGS LIMITED
Registration No. 66/11806/06
and THE AFRIKANDER LEASE LIMITED
Registration No. 01/06955/06
The attention of shareholders of these companies is directed to the report of VAAL REEFS EXPLORATION AND MINING COMPANY LIMITED

S.A. LAND

The South African Land & Exploration Company Limited

Registration No 01/01879/06

ISSUED CAPITAL: 9 182 788 shares of 35 cents each

	Quarter ended Mar 1987	Quarter ended Dec 1986	Year ended Dec 1986
OPERATING RESULTS			
Gold			
Tons milled—000	607	636	2 549
Yield—g/t	0.69	0.72	0.70
Production—kg	421	459	1 787
Production, transport and screening costs			
—R/ton milled	10.74	9.48	9.02
—R/kg produced	15 487	13 133	12 868
PRICE RECEIVED ON SALES			
Gold—R/kg	27 152	29 213	26 924
—$/oz	405	407	367
FINANCIAL RESULTS	R000	R000	R000
Turnover	11 395	13 311	48 287
Gold—revenue	11 395	13 311	48 287
—production costs	3 796	3 360	12 871
—transport and screening costs	2 724	2 668	10 124
	4 875	7 283	25 292
Less cost of dump material	2 738	4 056	14 140
Gold profit	2 137	3 227	11 152
Net sundry income	339	393	1 698
Profit before taxation	2 476	3 620	12 850
Provision for taxation	1 309	1 451	7 831
Profit after taxation	1 167	2 169	5 019
Capital recoupments	51	275	1 941
Profit available	1 218	2 444	6 960
Deduct			
Dividend—interim			2 525
—final			4 362
Retained profit for the year			73
Earnings per share—cents	13	27	76
Capital expenditure—R000	51	208	1 875

DIVIDEND
The final dividend of 47.5 cents a share in respect of the year ended December 31 1986 was declared on January 22 1987 payable to members registered on February 6 1987 and was paid on March 13 1987.

CAPITAL EXPENDITURE COMMITMENTS
There were no orders placed or outstanding on capital contracts as at March 31 1987.

For and on behalf of the board
T. L. PRETORIUS
E. P. GUSH } Directors

April 24 1987

ELANDSRAND

Elandsrand Gold Mining Company Limited

Registration No 74/01477/06

ISSUED CAPITAL: 96 619 825 shares of 20 cents each

	Quarter ended Mar 1987	Quarter ended Dec 1986	Year ended Dec 1986
OPERATING RESULTS			
Gold			
Area mined—m² 000	83	101	385
Tons milled 000—reef	406	439	1 793
—waste	19	23	102
—total	425	462	1 895
Yield—g/t—reef	6.51	6.75	6.57
—waste	0.84	0.49	0.59
—average	6.25	6.44	6.25
Production—kg	2 658	2 975	11 836
Cost—R/m² mined	484.70	354.10	364.15
—R/ton milled	94.66	77.41	73.98
—R/kg produced	15 135	12 022	11 845
PRICE RECEIVED ON SALES			
Gold—R/kg	27 273	29 705	27 053
—$/oz	405	412	368
FINANCIAL RESULTS	R000	R000	R000
Turnover	72 893	88 339	321 188
Gold—revenue	72 893	88 339	321 188
—costs	40 230	35 764	140 196
—profit	32 663	52 575	180 992
Net sundry income	1 961	2 926	13 101
Profit before taxation	34 624	55 501	194 093
Provision for taxation	1 133	7 309	7 932
Profit after taxation	33 491	48 192	186 161
Appropriation for capital expenditure	10 676	18 182	56 897
Profit available	22 815	30 010	129 264
Dividend—interim			53 141
—final			72 465
Retained profit for the year			3 658
Earnings per share—cents			
—before appropriation for capital expenditure	35	50	193
—after appropriation for capital expenditure	24	31	134
Capital expenditure—R000	13 281	22 522	73 917

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t
Quarter ended March 1987					
Elsburg reef	37	28	157.3	0.83	130
Ventersdorp Contact reef	5 197	816	77.6	15.04	1 167

PRODUCTION
Production continued to be adversely affected by ongoing seismic activity.
It is expected that the programme of regional pillar support recently introduced will reduce the effects of seismic damage to the underground workings and assist in stabilising the affected areas.

DEVELOPMENT
Development of the first mini-longwall from the sub-vertical shaft has commenced in the low-grade area immediately south of the shaft pillar. Values are expected to improve as development reaches the higher-grade areas to the east and west in 1988.

DIVIDEND
The final dividend of 75 cents a share in respect of the year ended December 31 1986 was declared on January 22 1987, payable to members registered on February 6 1987 and was paid on March 13 1987.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at March 31 1987 totalled R9 944 000.

For and on behalf of the board,
E. P. GUSH
T. L. PRETORIUS } Directors

April 24th 1987

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited

Registration No 05/17354/06

ISSUED CAPITAL: 19 000 000 shares of 50 cents each

	Quarter ended Mar 1987	Quarter ended Dec 1986	Year ended Dec 1986
OPERATING RESULTS			
Totals:			
Gold			
Area mined—m² 000	527	532	2 212
Tons milled 000—reef	2 742	2 572	10 767
—waste	200	223	766
—total	2 942	2 795	11 533
Yield—g/t—reef	7.12	7.27	7.48
—waste	0.92	1.17	1.20
—average	6.70	6.78	7.07
Production—kg	19 723	18 955	81 501
Cost—Complex			
—R/m² mined	480.39	453.91	410.87
—R/ton milled	86.05	86.40	78.80
—R/kg produced	12 842	12 740	11 151
Uranium oxide			
Tons treated—000	2 303	2 205	9 155
Yield kg/t	0.20	0.21	0.21
Production—kg	464 840	452 424	1 930 044
PRICE RECEIVED ON SALES			
Gold—R/kg	27 195	29 795	27 030
—$/oz	404	415	366
FINANCIAL RESULTS	R000	R000	R000
Turnover	643 742	625 752	2 448 531
Gold—revenue	531 915	578 200	2 221 975
—costs	253 163	241 482	908 840
—profit	278 752	336 718	1 313 135
Uranium oxide profit	69 083	26 732	130 685
Tribute profit	13 693	18 734	72 782
Net sundry income	9 883	11 606	50 521
Dividend from Southvaal Holdings Limited			
—interim declared July 1986	—	—	24 700
—final declared January 1987	—	28 600	28 600
	371 411	422 370	1 620 423
Royalties to:			
—Southvaal Holdings Limited	88 706	98 038	404 173
—The Afrikander Lease Limited	215	924	3 266
—Anglo American Gold Investment Company Limited	16	8	213
Profit before taxation	282 474	323 400	1 212 771
Provision for taxation	148 413	121 775	594 729

VAAL REEFS—*continued*

	Quarter ended Mar 1987	Quarter ended Dec 1986	Year ended Dec 1986
Profit after taxation	134 061	201 625	618 042
Appropriation for capital expenditure	51 908	80 616	211 439
Profit available	82 153	121 009	406 603
Deduct			
Dividend—interim			171 000
—final			228 000
Retained profit for the year			7 603
Earnings per share—cents	432	637	2 140
Capital expenditure—R000	47 827	77 843	206 766
CONSOLIDATED PROFIT			
Consolidated profit, after providing for taxation, of the company and its wholly-owned subsidiary, Western Reefs Exploration and Development Company Limited	134 135	201 805	618 297
OPERATING AND FINANCIAL RESULTS			
North Lease area			
Gold			
Area mined—m² 000	311	312	1 291
Tons milled—000	1 661	1 522	6 357
Yield—g/t	6.41	6.20	6.45
Production—kg	10 577	9 433	40 998
Cost—R/m² mined	445.84	443.29	402.28
—R/ton milled	83.98	90.87	81.49
—R/kg produced	13 189	14 662	12 636
Uranium oxide			
Tons treated—000	1 075	1 022	4 346
Yield—kg/t	0.17	0.17	0.18
Production—kg	181 638	171 447	790 367
	R000	R000	R000
Gold—revenue	285 357	289 296	1 118 159
—costs	139 457	138 306	518 048
—profit	146 788	150 990	600 111
Uranium oxide profit	28 050	11 040	56 862
Tribute profit	6 384	7 639	22 728
	181 134	169 669	679 701
Capital expenditure	29 728	46 270	114 204
South Lease area			
Gold			
Area mined—m² 000	198	193	797
Tons milled 000—reef	1 088	1 051	4 205
—waste	46	59	293
—total	1 134	1 110	4 498
Yield—g/t—reef	8.16	8.73	9.27
—waste	1.15	1.41	1.32
—average	7.87	8.34	8.75
Production—kg	8 927	9 255	39 369
Cost—R/m² mined	572.69	506.08	462.68
—R/ton milled	95.95	87.99	81.98
—R/kg produced	12 189	10 554	9 367
Uranium oxide			
Tons treated—000	1 228	1 183	4 809
Yield kg/t	0.23	0.24	0.24
Production—kg	283 218	280 977	1 139 677
	R000	R000	R000
Gold—revenue	240 862	281 243	1 073 236
—costs	108 812	97 673	368 756
—profit	132 050	183 570	704 480
Uranium oxide profit	40 644	15 526	73 110
Tribute profit	7 309	11 095	50 054
	180 003	210 191	827 644
Deduct:			
Capital expenditure	16 980	31 319	90 358
Repayment of loan and interest to Southvaal Holdings Limited	243	243	973
Repayment of consumer loan	1 496	379	1 454
Surplus subject to royalty	161 284	178 250	734 859
Royalty to Southvaal Holdings Limited (55 per cent of surplus)	88 706	98 038	404 173
Capital expenditure	16 980	31 319	90 358
Afrikander Lease area			
Area mined—m² 000	26	27	124
Tons milled—000	157	163	678
Yield—g/t	1.33	1.64	1.67
Production—kg	209	267	1 134
Cost—R/m² mined	219.08	203.81	177.71
—R/ton milled	36.27	33.76	32.50
—R/kg produced	27 244	20 610	19 432
Gold Section	R000	R000	R000
Gold—revenue	5 696	7 661	30 580
—costs	5 694	5 503	22 036
—profit	2	2 158	8 544
Deduct:			
Ongoing capital expenditure	327	239	1 982
Recoupment of initial capital expenditure	101	101	405
Provision for taxation	—	388	956
Available for royalty	(426)	1 430	5 201
Provision for royalties to:			
—The Afrikander Lease Limited	19	851	2 908
—Anglo American Gold Investment Company Limited	16	8	213
(The royalties are payable only when the results of the operations for the full year have been determined)			
Capital expenditure	327	239	1 982
Uranium Section			
Uranium oxide profit	389	146	713
Royalty to The Afrikander Lease Limited	196	73	358
Capital expenditure (Metallurgical plant)	—	15	222

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended March 1987							
NORTH LEASE AREA							
Vaal reef	12 640	924	71.5	25.86	1 849	0.70	50.38
Ventersdorp Contact reef	764	428	159.0	3.81	605	0.08	12.13
Area south of and adjacent to and developed by Hartebeestfontein Gold Mining Company Limited (not included in totals)							
Vaal reef	32	—	—	—	—	—	—
SOUTH LEASE AREA							
Vaal reef	14 557	1 340	68.8	29.40	2 023	1.12	76.82
'C' reef	1 060	104	17.5	65.57	1 165	1.92	33.57
Area under tribute to and developed by Buffelsfontein Gold Mining Company Limited (not included in totals)							
Vaal reef	1 019	130	98.6	19.15	1 888	0.58	57.17
AFRIKANDER LEASE AREA (Gold section)							
Jeppestown Reef No. 5 reef	943	268	84.6	0.93	79	—	—
TOTALS							
Vaal reefs (excluding tribute areas)							
Quarter ended March 1987	27 197	2 264	69.9	27.93	1 952	0.94	46.83
Quarter ended December 1986	28 065	2 132	68.8	24.13	1 660	1.00	[illegible]
Year ended December 1986	114 317	8 752	68.6	28.98	1 988	0.95	63.70

URANIUM OXIDE PROFIT
The higher quarterly profit from this source results from re-scheduling of deliveries.

DIVIDEND FROM SOUTHVAAL HOLDINGS LIMITED
The previous quarterly results include a half-yearly dividend from Southvaal Holdings Limited and are therefore not directly comparable with this quarter.

DIVIDEND
The final dividend of 1 200 cents a share in respect of the year ended December 31 1986 was declared on January 22 1987, payable to members registered on February 6 1987 and was paid on March 13 1987.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at March 31 1987 totalled R73 012 000.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

April 24 1987

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTE:
Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ.

The Free State Consolidated Gold Mines Limited quarterly results appear on another page in this newspaper.

UK COMPANY NEWS

Final quarter boosts Guinness

BY CLIVE WOLMAN

Guinness, the international drinks company, yesterday announced pre-tax profits of £355m for the 15-month period to the end of 1986, including £114m in the last quarter of the year, on a turnover of £3.25bn.

Provisions of £125m have been charged as extraordinary items to allow for the costs of what are described as "unusual transactions and arrangements" made during and after the takeover bid for Distillers, which subsequently led to an inquiry by the Department of Trade and Industry.

The results include those from Distillers from the date of its acquisition by Guinness, April 18, 1986, applying the standard acquisition, rather than merger, accounting conventions.

A second interim dividend of 5.86p per share net of Advance Corporation Tax (8.03p gross) will be paid on May 28. This was due to be paid on January 30 but was delayed because of the uncertainties arising from the DTI investigation.

A final dividend of 2.10p net (2.88p gross) will be recommended for payment on June 10. The total gross dividend for the 15-month period is therefore 14.06p compared with 10.29p for the 12 months to September 30, 1985.

The fully-diluted earnings per 25p share were 28.6p for the 12-month period to December, 1986 (36.6p for the 15-month period) compared with 25.2p in the 12 months to September, 1985. The pro-forma earnings, incorporating the results of Distillers as if it had been acquired on January 1, 1986, were 27.4p on a fully-diluted basis.

Turnover for the 15-month period was £3.25bn and for the 12-month period to December, 1986, £2.75bn, compared with turnover of £1.19bn in the 12 months to September, 1985.

The trading profit for the 15-month period was £408m and £363m for the 12-month period, compared with £81m in 1984-85. The pre-tax profit figures were £355m, £314m and £86m respectively and the tax charges £106m, £94m and £26m.

The £314m figure includes a contribution, after finance charges of £217m from Distillers and from Bells, the spirits company acquired in August 1985. Thus the pre-tax profits of the original Guinness businesses rose from £85m to £97m between the two 12-month periods.

The balance sheet shows an increase in debt, after netting out cash, deposits and short-term investments, from £232m to £757m. However, counting the convertible loan stock as debt, the ratio of debt to equity has only increased from 77 to 81 per cent between September 1985 and December 1986.

See Lex

Great Southern defies declining death rate

BY ALICE RAWSTHORN

GREAT SOUTHERN GROUP, the funeral services and crematoria concern which went public on the USM in September, yesterday announced that it had beaten its prospectus forecast by increasing pre-tax profits by 23 per cent to £1.63m in 1986.

"These are the best results we have ever produced and more than meet our forecasts at the time of the flotation," said Mr Edward Field, Great Southern's chairman.

The group achieved this growth despite an unexpected decline in the death rate, which has fallen by an estimated 12.5 per cent in the first quarter of 1987.
future falls in the death rate.

Turnover increased to £12.38m (£11.22m) in 1986 and operating profits to £2.04m (£1.73m). The group paid £414,000 (£279,000) in interest —gearing stands at about 15 per cent—and £634,000 (£604,000) for taxation). Earnings per share rose to 12.3p (9.5p) and the board proposes a final dividend of 3.5p.

Within the funeral services division, where Great Southern carried out 20,000 funerals last year—making it the second-largest undertaker in the UK after the Co-op, the declining death rate has scuppered hopes for core growth and the group is reliant upon acquisitions.

In 1986 Great Southern acquired four businesses, adding seven new branches. It has already concluded two purchases in the present year and is in "active negotiation" for a further seven.

Business increased in the crematoria division, which carried out 22,000 cremations during the year.

● comment

Great Southern Group has lapsed into a dull but worthy role within the macabre subsector of USM undertakers. And its directors like it that way. Dullness and worth, they argue, will be of greater benefit in the traditional world of funeral parlours and monumental masonry than the flamboyance of Hodgson Holdings or the dynamism of Kenyon Securities. The stock market does not seem to agree. Great Southern's shares have yet to experience the same heady growth as Hodgson and Kenyon, but its investors can have few complaints. The value of their holdings has precisely doubled since the flotation after the share price rose by 5p to 270p yesterday. The death rate may be declining, but Great Southern has its interests in crematoria, pre-payment schemes and exhumation to compensate. Profits should rise to £2.1m or so this year, leaving the shares to move with the market on a prospective p/e of 20.5.

Austin Reed hits £6m and sees further rise

Austin Reed Group, clothing manufacturer and retailer, continued to progress through the second six months of 1986-87 and for the full year increased its profits from £5.04m to a record £6.1m pre-tax.

Furthermore, a good start was made to the new year with retail sales up 14 per cent after 10 weeks and factory production fully booked.

The directors said yesterday that a further advance in profits was expected.

Turnover for the past year, to January 31, pushed ahead from £60.94m to £64.61m and at the pre-tax level margins showed an improvement from 8.27 per cent to 9.4 per cent.

After tax of £2.22m (£1.61m) earnings per 25p share worked through 1.2p higher at 14.1p.

A final dividend of 4.5p on both the ordinary and "A" ordinary shares lifts the total by 1p to 6.5p net.

A loss of £392,000 on the sale of a subsidiary was treated below the line as an extraordinary provision. There was also a £112,000 (£90,000) appropriation to the profit-sharing scheme.

A revaluation of group properties at year-end threw up a surplus of £5.3m. The new values will be incorporated in the accounts for the year.

● comment

Sitting between two sectors can sometimes pull profits in different directions but recent times have been good for both the textiles and retail sectors, giving Austin Reed a double boost in profits. After burning its fingers with the Cue stand-alone shops, Austin Reed is finding the in-house Options displays rather easier to handle. Options should bring more growth this year and the group is also hoping for benefits from the programme of store refurbishment and from the sale of branded Austin Reed clothes to other outlets. The latter task will be made easier when the new factory comes on stream in the second half. Whether this year's growth is good or just satisfactory may depend on the dollar—licence income in the US and Japan added £1.5m last year—but £7m does not seem an impossible target. At 204½p the A shares stand on a prospective p/e of 12.5, indicating that the market perceives the group as a textiles rather than a stores group.

Hillards sees £15m profits for next year

By Nikki Tait

Hillards, the Yorkshire-based supermarket chain which is facing a £178m hostile bid from Tesco, yesterday hit back with a profits forecast of "not less than" £15m before tax in the year to end-April 1988.

The company has already forecast £10.3m for the current 52-week period to May 2 1987, against £8.5m in the previous 53 weeks, and the 1987/88 estimate would represent a 45 per cent increase on that. Most analysts had been predicting about £13.5m

Hillards also estimates that earnings per share in 1987/88 will rise from the forecast 13.5p to 18.2p (18.1p on a fully-taxed basis), and says it intends to recommend a final dividend for the current year of 2.825p. That makes a total of 4p for 1986/87, an increase of 21 per cent over the previous year

The forecast, however, was immediately criticised by Tesco.

"I'm astonished," said Mr David Reid, finance director. "It looks as if they've over-cooked the goose We can only assume they have tipped in the kitchen sink, or that they are going to hike prices."

The Tesco camp argues that in the latter case, profits would obviously suffer in the following year.

Hillards itself says the evidence will stem from productivity increases; its past investment in stores, rising selling space; plus its increasing emphasis on own-label lines and higher-margin goods. It also denies that growing competition — something Tesco has warned about — is a danger.

Yesterday, Hillards added 10p to 335p while Tesco put on 1p to 478p. At that level, the paper terms value Hillards at 316p with a cash alternative of 290.55p.

Last night, Mr Reid conceded that institutional shareholders are looking for a "modest" increase in the Tesco terms and said that the decision on whether or not to raise the bid would be taken shortly.

Aberdeen Steak

Aberdeen Steak Houses failed to publish its preliminary results for 1986 which were expected yesterday.

It is the second time the group has delayed the announcement of its results which were originally due on April 9.

No comment was available from the group last night.

Vaux to raise £61m as halfway profits rise 17%

BY MIKE SMITH

Vaux Group, the Sunderland brewer and hotels company, yesterday unveiled plans to raise £60.8m through a one-for-five rights issue and the issue of £25m of debenture stock.

The company, the shares of which rose strongly during the last year partly because of speculation that it may become the subject of a hostile bid, also revealed a pre-tax profits rise of 17.4 per cent to £7.3m in the 24 weeks to March 14. Turnover was 8.9 per cent ahead at £80.05m.

The interim dividend is lifted 12.4 per cent to 4.7p and the board forecasts a final dividend of not less than 9.4p.

Shares in the company fell 10p to 568p.

Mr Paul Nicholson, chairman, said the 470p per share rights issue would raise £35.8m after expenses. The proceeds would be used mainly to acquire and develop hotels.

Last year the hotels division had contributed 43 per cent of the trading profits and the group planned to increase its number of hotels from 34 to more than 40 within five years.

A property valuation at the end of the year will produce a surplus over book value of more than £50m, according to the directors. This, together with the other plans announced yesterday, will leave gearing at its present level of about 20 per cent, said Mr Nicholson.

Vaux intends to concentrate its hotels growth in the south-east of England, where occupancy and room rates tend to be higher. It expects to spend at least £40m during the next five years to fund investment opportunities, in addition to the £25m included in the £130m expenditure budget.

In the first six months of the year, breweries contributed £3.79m (£3.36m) to the group's £7.65m (£6.57m) trading profit. Hotels provided £3.31m (£2.75m) and wines and spirits £549,000 (£466,000).

Mr Nicholson said sales of draught lagers were well ahead during the period. For the first time for some years sales of draught ales did not decline. Packaged beer sales were also up.

● comment

There was scepticism in the City yesterday about whether the rights issue was really necessary—gearing is hardly high at 20 per cent—but the call on shareholders was viewed as a shrewd move. It enables Vaux to take advantage of its bid-inflated share price to raise money and the subsequent increase in market capitalisation will make the task of any prospective predator that much harder. The market clearly approved the plan to concentrate on the more lucrative hotels side of the business; it marked the shares down just 10p, in spite of the call on shareholders. But Vaux is clearly getting to grips with the problems posed by the maturity of the beers market, even if it was helped along the way by a price rise from local rival, Scottish and Newcastle. For full year pre-tax profits of about £21m are in view, putting the shares on a p/e of about 16.5. On fundamentals alone they would be expensive but there is little chance of the bid speculation going away, even if Wolverhampton and Dudley Breweries was to sell its stake. As Mr Nicholson said yesterday the company has been at the centre of takeover speculation for 25 years and it may go on for another quarter of a century. The rights should be taken.

Stewart Wrightson expansion

BY NICK BUNKER

Stewart Wrightson, the big Lloyd's insurance broker, plans to expand in the booming employee benefits consultancy business by buying Martin Paterson Associates, a 16-year-old London-based actuarial and benefits consulting company.

Talks between the two companies began "some months ago," said Mr George Boden, a Stewart Wrightson director. They are now "99.9 per cent certain" to lead to the creation of a new combined organisation called Paterson Wrightson, he added.

This will emerge from a union between Martin Paterson and Stewart Wrightson Benefit Consultancy, one of the broker's subsidiaries.

Mr Brian Moir, a Martin Paterson director, said he hoped the deal would be concluded in early summer. He said that the company had realised that its small size had placed limits on its rate of growth. It had been approached by "a number of people" as possible suitors, including big well-known companies, before opting to join Stewart Wrightson.

Paterson Wrightson is expected to rank among the top six British benefits consultants, behind firms like R. Watson, Bacon and Woodrow, and Towers Perrin Forster and Crosby. Stewart Wrightson ranks 15th at present, Mr Boden said.

The move comes at a time when big general insurance brokers on both sides of the Atlantic are keen to push deeper into employee benefits and pension consulting work. This is because they produce a stream of earnings unaffected by the underwriting cycles which control insurance broking income.

Stewart Wrightson's shares closed 3p down last night at 425p.

Martin Paterson expects to have 1987 fee income of about £3m, and employs about 80 people, making it about the same size as the Wrightson benefits consulting arm. It has about 600 clients, of whom about 400 are pension funds.

One attraction for Stewart Wrightson is that Martin Paterson has more actuaries. It is also a leading designer of employee shares schemes via a subsidiary, Copeman Paterson. Mr George Copeman, a Martin Paterson director, was a founder member of the Wider Share Ownership Council.

Wardle's new bid attacked

BY PHILIP COGGAN

Chamberlain Phipps, the shoe components and adhesives group fighting a hostile bid from Wardle Storeys yesterday issued a defence document in response to the increased £68m offer.

The Northamptonshire-based group reiterated its belief that the bid had no commercial logic and that it failed to reflect the group's profits forecast for the coming year of £7.25m. Chamberlain has rallied unions and customers in its support in an attempt to beat off the budding conglomerate.

Wardle's offer, which closes on May 1, is seven of its shares for every 20 in Chamberlain. There is a cash alternative of 157p, compared with last night's closing price of 155p.

UK COMPANY NEWS

Kwik Save expands 17% to £21.8m

Kwik Save Group, the discount food retailing group, reported a 17.1 per cent increase in pre-tax profits, from £18.58m to £21.76m, against an improvement of 11.1 per cent in sales for the 26 weeks to February 28.

Mr Ian Howe, the chairman, said that concessionaire rentals, including Coleman Meat, rose from £3.65m to £4.08m but net interest fell from £1.53m to £0.95m.

By the end of the half year Kwik Save Stores was operating from 479 stores, 134 Best of Cellars units and 62 Arctic freezer centres, compared with 460, 113 and 50 respectively at the end of the last financial year, and had expanded its sales area by approximately 5 per cent.

The Tates subsidiary converted a further two foodmarkets and wineshops into Lateshoppers, bringing the total to 10. Mr Howe also said that a new distribution centre, opened in April, would enable existing and future stores to be serviced more economically.

The group had also agreed to purchase 23 stores from Dee Corporation which were expected to be converted to Kwik Save stores by the end of 1987.

He concluded with a note of caution, however. The group experienced several weeks of unofficial industrial action by Kwik Save distribution employees during the period prior to Easter. The dispute had now been settled but it would have some adverse effect on the level of sales in the second half of the year.

Turnover in the first six months was £425.53m (£383m), including VAT, tax took £7.62m (£7.06m) leaving net profits of £14.14m (£11.52m) for earnings of 9.34p (7.64p) per share.

The interim dividend is increased from 1.8p to 2.1p; last year's total payment was 6p per share.

● **comment**

Kwik Save's figures were characteristically good and the share price put on 6p to 271p, but at that level it is still lagging well behind its current year high of 291p. The main reason for the caution is the industrial dispute which, though now resolved, has left stores short of stocks for about two months of the second half with a consequent impact on sales and profits. Analysts were trimming their current year forecasts from £48m to £47m or less yesterday, putting the shares on a prospective p/e multiple of 13½. That suggests the price will sleep awhile: although it seems to underrate the company's fundamental growth prospects against the sector, the market will want a firmer indication of just how difficult the second half has been before indulging in an upward re-rating.

Placing values Doeflex at £11m

By Richard Tomkins

Doeflex, the plastic products company seeking a stock market quotation, yesterday published the prospectus for a placing which will value it at £11.3m.

Lazard Brothers is placing 3.49m shares, or 41 per cent of the total equity, at 135p a share. Of the £4.7m proceeds, nearly £2.9m will go to existing shareholders and £1.5m net of expenses to the company.

Brokers to the issue are Phillips & Drew.

Doeflex makes plastic materials and semi-finished products for a range of markets. These include the construction and motor industries, packaging, domestic appliances, stationery, records and shoes.

It was bought out by its management in 1980 with the backing of CIN Industrial Investments. Some £950,000 of the flotation proceeds will be used to redeem the preference shares issued to CIN in the buy-out.

Pre-tax profits have risen from £347,000 in 1982 to £1.14m in the year to last December on turnover up from £6.9m to £13.3m.

There is no profit forecast for the current year so the company is coming to the market on an historic price/earnings multiple of 14.8.

Beatson Clark

Anglo-African Finance has increased its stake in Beatson Clark, the Rotherham based glass and plastic bottle manufacturer, to 13 per cent.

The purchase of 165,000 ordinary shares by Anglo-African is on top of a 10.8 per cent stake acquired two weeks ago.

Shares in Beatson Clarke closed down 8p at 3905p.

Camco lower in first quarter

Camco, the US-based oil services subsidiary of Pearson, reported a sharp fall in pre-tax income from $1.6m to $897,000 (£548,000) for the first quarter of 1987.

Net sales were lower at $37.61m (£40.17m). After tax of $269,000 ($515,000) profits were $628,000 ($1.09m). Earnings per share dropped from 15c to 8c, while the quarterly dividend is maintained at 11c.

The Camco board said the company's financial position continued to strengthen over the first three months of 1987. Working capital rose slightly despite a substantial reduction of inventory. In addition, management efforts to maximise cash flow had increased cash balances to almost $20m at the end of March 1987.

Camco is a 65.4 per cent owned subsidiary of Pearson, which also owns the Financial Times.

Sun Life battle enters new phase

BY ERIC SHORT

THE BATTLE between Sun Life Assurance Society and its largest shareholder, TransAtlantic Insurance Holdings, for board representation entered another phase yesterday.

TransAtlantic, which holds 25.7 per cent of Sun Life, has written to all other shareholders urging them not to take any action until it has presented its case.

Last month, Transatlantic, after trying for some time without success to secure board representation with the approval of the existing board, nominated three of its own persons to stand for election to the board at the forthcoming AGM on May 13.

The reaction for the present board of Sun Life has been implacably hostile.

Until recently, TransAtlantic was a subsidiary of Liberty Life Group of South Africa, the largest quoted insurance and financial services group in that country.

Liberty's holding is now around 48 per cent, but its chairman, Mr Donald Gordon, is still chairman of TransAtlantic.

Mr Peter Grant, chairman of Sun Life, last week wrote to shareholders claiming the move was an attempt by Liberty Life to gain control of Sun Life.

He claimed that having representatives of TransAtlantic on the board would be divisive to the detriment of the group. He urged shareholders to return their proxy forms as soon as possible rejecting the proposals.

The letter from Donald Gordon deplpores the emotive language and terms used by Sun Life, while asserting that Mr Grant has misrepresented the whole situation.

TransAtlantic is not opposing the re-election of any existing directors. It is seeking to strengthen the board by filling existing vacancies.

He emphasised that TransAtlantic was not a subsidiary of Liberty Life—its affairs in the UK are conducted by its own independent board.

Mr Gordon reasserts the claims that the proposed appointments would enhance the skills and strengths of the board. A further letter explaining how this could be brought about will be sent to shareholders next week.

Meanwhile, shareholders are urged not to do anything until they have read and considered this further communication.

However, Sun Life has made little attempt to hide the fact that it is seeking to keep out of Liberty Life's clutches by finding a white knight to take over the group, if necessary. Several candidates have been suggested, including TSB.

Mr Middlemass, chief executive of TransAtlantic, considers such actions by Sun Life as completely unnecessary.

But he did admit that in the last resort his company may be forced to mount its own bid to protect its position.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Camotech ....int	0.69	June 5	—	—	0.33
Chrysalis ....int	2	June 26	2	—	5.6
Etam	3.4	July 3	3.1	4.7	4.25
Great Southern	‡3.5	June 10	—	3.5	—
Guinness	2.1	June 10	5.2	10.2‖	7.2
Hartons	1.07	July 1	0.83	1.6	1.27
Hestair	†2.8	July 1	2.33	4.5	3.83
Investors Capital ...int	3	—	1.8	—	7.4**
Investors Cap 2nd int	3.15	—	2.7	—	7.4**
Kwik Save ....int	2.1	July 1	1.8	—	6
Lilleshall	1.5	June 1	1.5	2.25	2.25
Wm Low ....int	5	June 1	4.5	—	13.5
Petrocon	†1	—	4	2	6
Austin Reed	¶4.5	—	4	6.5	5.5
Share Drug ....int	‡1.1	June 3	0.9	—	2.4
Sunlight Service	6.5	June 16	7.45	10	9
Vaux Group ....int	4.7	July 1	4.18	—	12.50
Whatman Reeve	2.1	—	1.63	3.1	2.45

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ On ordinary and "A" ordinary shares. ‖ For 15 months. Includes 5.86p second interim, payable May 28. ** For 9 months.

Royal Ins buys rest of Oyston

Royal Insurance has bought the rest of Blackpool-based Oyston Estate Agency, which has a network of 96 offices. It acquired 34.5 per cent in July last year.

Royal did not disclose the total consideration, to be satisfied by the issue of 1.09m shares and cash.

Its shares closed up 7p at 895p.

Royal Insurance has interests in 441 estate agencies in the UK. Its usual policy is to take a substantial holding but ensure the original proprietors retain an equity stake with freedom to manage and develop the business.

aac

Welkom Gold Holdings Limited

(Incorporated in the Republic of South Africa)
Registration No. 05/24464/06

INTERIM REPORT—1987

The following are the unaudited income statement of the company for the six months ended March 31 1987 and abridged balance sheet at that date:

INCOME STATEMENT

	Six months ended 31.3.87 R000	Six months ended 31.3.86 R000	Year ended 30.9.86 R000
Income from listed investments	36 872	38 342	80 271
Other expenditure—net	220	247	414
Profit before taxation	36 652	38 095	79 857
Taxation	15	4	15
Profit after taxation	36 637	38 091	79 842
Dividend—interim	35 351	37 826	37 826
—final	—	—	42 068
	35 351	37 826	79 894
Increase (decrease) in retained profit	1 286	265	(52)
Retained profit brought forward	111	163	163
Retained profit	1 397	428	111
Earnings per share—cents	104	108	226
Dividends per share—cents	100	107	226

BALANCE SHEET

	31.3.87 R000	31.3.86 R000	30.9.86 R000
Capital	17 675	17 675	17 675
Share premium	168 891	168 890	168 891
Non-distributable reserve	8 069	8 069	8 069
Distributable reserves	12 316	11 347	11 030
	206 951	205 981	205 665
Represented by:			
Listed investments	205 553	205 553	205 553
Current assets	37 219	38 431	42 456
Current liabilities	35 821	38 003	42 344
Net current assets	1 398	428	112
	206 951	205 981	205 665
Number of shares in issue	35 350 937	35 350 937	35 350 937
Net asset value per share (after providing for dividend), adjusted for market value of listed investments—cents	3 498	2 332	3 610

DIVIDEND
The final dividend (No. 59) of 119 (1985 : 127) cents per share in respect of the year ended September 30 1986 was declared on October 16 1986 payable to members registered on November 7 1986 and was paid on December 12 1986.

LISTED INVESTMENTS
At March 31 1987 and at March 31 1986 the company's listed investments comprised 6 141 966 Free State Consolidated Gold Mines Limited shares and 6 838 000 Orange Free State Investments Limited shares.

	At 31.3.87 R000	At 31.3.86 R000	At 30.9.86 R000
Market value	1 236 340	824 042	1 276 006
Book value	205 553	205 553	205 553
Appreciation	1 030 787	618 489	1 070 453

For and on behalf of the board
L. Hewitt
E. P. Gush } Directors

DECLARATION OF INTERIM DIVIDEND No. 60

On Thursday, April 23 1987 dividend No. 60 of 100 cents per share, being the interim dividend in respect of the year ending September 30 1987 was declared in South African currency, payable on Friday, June 12 1987 to members registered in the books of the company at the close of business on Friday, May 8, 1987.

The transfer registers and registers of members will be closed from Saturday, May 9 to Saturday, May 23 1987, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the company's transfer secretaries on or about Thursday, June 11 1987. Registered members paid by the United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate of exchange applicable on Monday, May 11 1987, less appropriate taxes. Any such members may, however, elect to be paid in South African currency, provided that the request is received at the offices of the company's transfer secretaries in Johannesburg or in the United Kingdom on or before Friday, May 8 1987.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: R. S. Edmunds
Divisional Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051 Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Johannesburg
April 24 1987

Head Office
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office:
40 Holborn Viaduct
London EC1P 1AJ

UK COMPANY NEWS

Hestair surges to £7.3m and makes US acquisitions

BY RICHARD TOMKINS

Hestair yesterday marked a further stage in its transformation from industrial holding company to consumer services group with the news that it is to buy three US employment agencies for an initial $16.4m (£10.1m).

The company also produced the widely-predicted surge in pre-tax profits from £4.1m to £7.3m for the year to end-January 1987, on turnover up from £119.3m to £135.2m. The 1985 figures have been restated to include JSD, the computer personnel agency acquired last June, on a merger accounting basis.

After a tax charge of £760,000 (£845,000), earnings per share rose to 18.1p (10.6p). There was an extraordinary loss of £1.78m (£1.63m) relating to the disposal of the farm equipment division.

The three companies being bought are Talent Tree, First Temporaries and Team Services, which between them have 64 branches. The acquisitions are intended to provide a platform for the development of a major personnel service operation across the US.

The initial consideration will be met through the issue of 4.94m shares, of which 387,000 will be kept by the vendors and the rest placed by Hill Samuel at 205p a share.

Hestair said it had had an excellent start to the current year and had decided to recommend a final dividend of 2.8p, making a total of 4.5p (3.825p). That compares with the 4.3p forecast when the company made its rights issue last April.

DIVISIONAL ANALYSIS OF PROFIT	£000 1987	£000 1986
Services	4,598	2,729
Consumer Products	2,976	2,213
Engineering	1,802	1,603
	9,376	6,545
Discontinued	254	672
Interest	1,741	2,734
Central costs	560	382
Group	7,329	4,101

All three of Hestair's divisions improved profitability but the driving force came from services, which benefited from good trading conditions for employment agencies. JSD had particularly buoyant sales in Europe, and the division as a whole increased profits by 68 per cent.

Consumer products also performed strongly, increasing profits by 34 per cent. Hestair Hope enjoyed buoyant sales from consumer stationery and the mail order catalogue, and Kiddicraft resumed profits growth on a 32 per cent increase in sales.

The engineering division increased profits by 12½ per cent, most of which came in the second half as the costs of reorganisation began to recede.

● comment

The prospect of a 12.6 per cent increase in Hestair's issued equity gave the company's share price an early battering but it soon recovered as the ramifications of the US expansion began to seep in, and closed only 1p down at 215p. The effect of the latest acquisitions will be to increase the contribution of the employment services and consumer products parts of the business to 70 per cent of total group profits, leaving engineering at 30 per cent — an almost exact reversal of the position four years ago. The market does not appear to have quite caught up with what is happening at Hestair. With net borrowings extinguished and the prospect of another good year from the existing operations, the latest acquisitions should give the group little difficulty in reaching around £11.5m next time. That puts the shares on a prospective p/e multiple of under 10 even after dilution and an increase in the tax charge to 18 per cent. A rating that low is yielding a couple of points to the mini-conglomerates, let alone the likes of Blue Arrow with which Hestair is going to be increasingly compared.

Whatman Reeve close to £7m

Whatman Reeve Angel, manufacturer and marketer of laboratory supplies, announced yesterday that it had increased its 1986 profits by 20 per cent at the pre-tax level and that it had made a good start to the new year.

The current state of the group's major market, the US, and in particular the weakness of the dollar, was giving cause for some concern but unless there was a marked deterioration in the US economy satisfactory growth was expected to continue during 1987 and in the years ahead.

For 1986 group turnover improved from £31.64m to £35.34m and trading profits pushed ahead by £1.15m to £7.12m.

Pre-tax profits showed an improvement of £1.15m at £6.76m after taking account of interest charges of £52,000 (£105,000) and a £314,000 (£255,000) provision to the employee share scheme.

Tax took £2.57m (£2.53m) and extraordinary items £99,000

Basic earnings worked through at 19.34p (14.23p): fully diluted the figure was 19.05p (13.94p). A final dividend of 2.1p raises the total from 2.45p to 3.1p per 5p share.

The Balston division had a good year despite the relatively slow growth of the US economy and the continuing weakness of the electronics industry, one of the division's more important customers.

Whatman International made good progress during 1986 although growth by the laboratory dealer business, especially in the US, was limited by the mature nature of its longer established product lines.

The other three businesses in the division all performed well.

The industrial biosystems business had an encouraging year and the custom manufacturing business made excellent progress.

Lilleshall boosted by property disposals

Lilleshall, the steel stockholder, property developer and fasteners distributor, increased its pre-tax profit by £200,000 to £372,000 in 1986, but only after crediting exceptional items of £330,000 from profits arising on the disposal of properties.

The directors said that the company had suffered a steady decline in its trading activities over the years. He believed that it had now secured a base for future growth. The company intended to achieve that by developing and improving existing activities and by acquisition.

The current year had started ahead of the 1986 position

Turnover for the year rose from £6.24m to £6.81m but operating profits fell from £339,000 to £243,000 and interest payable was £34,000 up at £201,000. Tax took just £5,000 (£24,000) and there were no extraordinary credits this time (£28,000).

Stated earnings per share were 16.4p (6.4p) on a net basis and the total dividend is unchanged at 2.25p with a final of 1.5p (same).

Floyd Oil share stakes

As a result of a recent open offer and placing of stock in Floyd Oil, Bricomin Investments, a subsidiary of British and Commonwealth Holdings, now beneficially holds 9.13 per cent of the company.

Directors have had the following dealings in Floyd shares as a result of, or in connection with the open offer: J. E. K. Floyd on April 16 1987 took up 561,047 shares and on the same date sold 641,047 shares (beneficially). He also took up on April 16, 18,321 shares and sold a like amount on the same date (non-beneficial). J. A. Winter on April 16, took up 20,000 shares and sold 16,000 on March 26; I. R. E. Gow took up 1,333 shares on April 16 and C. J. Spence on the same date took up 12,856 shares.

J. D. M. Cooper bought 10,000 shares on April 16 also.

On April 22 1987 the following directors were offered options to subscribe for ordinary under executive share option scheme: J. E. K. Floyd, 250,000; S. E. C. Miller, 750,000; J. R. Winter, 200,000; J. D. M. Cooper, 150,000. All these options will be exercisable at 43p per share.

Hawley bid for BCA unconditional

Hawley Group, Mr Michael Ashcroft's services group, now domiciled in Bermuda, has declared its agreed offer for British Car Auction Group unconditional.

Yesterday, Hawley, which already controlled 14.8 per cent of BCA, said that it had received acceptances in respect of 34.66m ordinary and 10,173 of the 3.5 per cent preference, giving it 59.2 and 19.4 per cent of each class respectively.

The ordinary offer, five Hawley common shares for every three BCA remains open until further notice. Hawley said the preference offer would close in 14 days.

Mr David Wickens, chairman of BCA, yesterday also announced details of a series of personal share transactions in Hawley Group which had erroneously been ommitted from the offer document.

Wigfalls suspended

By Philip Coggan

Shares in Wigfalls, the electrical retail and rental group, wer suspended yesterday at the company's request, pending an announcement due today.

On Tuesday, Rushlake Holdings, the private company owned by the Jivraj family, increased its stake in the group to 14.5 per cent. Rushlake recently sold its interest in London Park Hotels for £38m.

Weather slows profit growth at Etam - £5m SNOB deal

Etam, the fashion retailer, yesterday unveiled a modest 1.7 per cent increase in pre-tax profits to £12.26m, after a year of sluggish sales because of adverse weather. It also announced the acquisition of the SNOB chain of fashion shops for £5.4m from Coutwall, a privately owned fashion company.

The SNOB chain, which encompasses 13 shops and one concession, will continue to trade under its own name within the Etam group. Etam will thus operate three women's wear businesses: Tammy Girl for preteens; SNOB which is directed to teenagers; and Etam for young, lower income working women.

In the last financial year, Etam like almost every other fashion retailer, suffered from inclement weather conditions. The comparison with the previous year is particularly harsh given that 1985-86 was a 53, rather than a 52 week year and included higher contributions from interest and property.

Etam says that sales have regained momentum in the opening months of the present year and are now running ahead of target with growth of at least 25 per cent.

Group turnover rose to £79.41m (£71.21m) and gross profit to £14.03m (£12.65m) in the year to January 31. Administration expenses increased to £1.99m (£1.89m), while income from leased assets fell to £13,000 (£25,000) and interest receivable to £500,00 (£1.03m). Interest payable increased to £298,000 (£6,000) and income from property disposals fell to £9,000 (£246,000).

Despite sluggish sales Etam improved the efficiency of its cost and stock control, thereby increasing gross margins. Taxation was static at £4.58m and earnings per share rose to 14.74p (14.34p). The board proposes to pay a final dividend of 3.4p making a total of 4.7p (4.25p).

Etam opened nine new shops during the year and now trades from 126 outlets. It is in the throes of negotiating for eight new units and expects to operate from 135 shops by the end of the present year.

● comment

A chilly spring followed by a mild autumn is not the most inspiring scenario for a fashion retailer, but Etam has a succession of respectable results behind it and had been sensible enough to forewarn the stock market. In any case all the interest in the company has centred on its acquisition potential. Etam's mounting cash pile, coupled with concern that the core business was rapidly approaching saturation, has caused disquiet ever since the flotation. Yesterday, with the acquisition of SNOB, Etam finally delivered its prey. The City seemed to approve and the share price surged by 23p to 265p. Given that sales have recovered and store openings proceed apace, profits should rise to £15m in the present year putting the shares on a prospective p/e of 15. Undemanding.

WATMOUGHS (Holdings): At AGM the chairman said turnover for first quarter of 1987 showed a substantial increase over corresponding period last year. Although much of the benefit from the recently announced News International contract would not materialise until 1988, the company expected substantial growth in turnover and profit this year.

BANQUE INTERNATIONALE A LUXEMBOURG S.A.

NOTICE TO HOLDERS OF INTERNATIONAL DEPOSITARY RECEIPTS

for Ordinary shares in EUROMONEY PUBLICATIONS PLC

Issue of definitive International Depositary Receipts ("IDRs")

NOTICE IS HEREBY GIVEN that completion of the distribution of all the ordinary shares of Euromoney Publications PLC in the form of IDRs, sold pursuant to the offer dated 11th June 1986 took place on 17th February 1987. Accordingly definitive IDRs will be available from 17th May 1987 through Euro-clear or Cedel. IDR holders should note that bearer instrument duty will be chargeable on any transfer (including negotiation) of an IDR in Great Britain.

Notices and Accounts.

The duties of Banque Internationale a Luxembourg S.A. ("BIL") to give notice by advertisement in the press of general meetings of the Company and of the availability of copies of its audited accounts for each financial year are set out in the definitive IDRs. However, although IDR holders do not have any contractual relationship with Euromoney Publications PLC ("Euromoney") the Board of Directors of Euromoney has decided to permit IDR holders to deposit an address with Euromoney to which will be sent notices of meetings and of the audited accounts for each financial year at the same time as such notices and accounts are sent to Euromoney's registered shareholders. IDR holders wishing to avail themselves of this facility should write to the Secretary, Euromoney Publications, Nestor House, Playhouse Yard, London EC4V 5EX specifying an address for such purpose. The facility is available for successive periods of twelve months from the date of Euromoney's acknowledgement that it has been notified of the IDR holder's address. Accordingly, written notice must be sent by the IDR holder to the Secretary of Euromoney at the above address renewing the facility prior to expiry of the current twelve month period. In the absence of renewal the facility will lapse and notices and accounts will not thereafter be sent to the relevant address. Euromoney shall not be under any liability to any IDR holder for the accidental failure, delay, or omission to send notices or accounts to an address deposited by an IDR holder under these arrangements.

IDR holders should note that, in accordance with the terms and conditions set out in the definitive IDRs, they are not entitled to vote at general meetings although they may, by deposit of the definitive IDR with BIL or one of its authorised agents, give written directions to BIL as to how the votes attaching to the shares represented in the IDR are to be exercised. Although IDR holders are not entitled to vote they may attend and speak at general meetings of Euromoney.

Extraordinary General Meeting of Euromoney Publications PLC

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above named Company will be held at the Boardroom, Associated Newspapers Holdings p.l.c., Carmelite House, Carmelite Street, London EC4Y 0JA on 20th May 1987 at 2.00 p.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:-

SPECIAL RESOLUTION

THAT the Share Premium Account of the Company be and is hereby cancelled.

By order of the Board
P S Gaunt
Secretary

Dated 24th April 1987

Registered Office:-
Carmelite House
Carmelite Street
LONDON EC4Y 0JA

Notes:

(1) Holders of international depositary receipts ("IDRs") in respect of ordinary shares in the Company may give directions through Euro-clear or Cedel as to how the voting rights of the ordinary shares represented in their IDRs should be exercised. Such instructions must be received by Banque Internationale a Luxumbourg S.A. no later than 10.30 a.m. on 13th May 1987. Holders of IDRs may attend the Extraordinary General Meeting but may not vote on the resolution to be proposed.

(2) A copy of the Chairman's letter to members explaining the reasons for the proposed special resolution can be obtained by holders of IDRs from the registered office of the Company or from Banque Internationale a Luxumbourg S.A. at 2 Boulevard Royal 2953, Luxembourg.

Wm MORRISON SUPERMARKETS PLC

SUMMARY OF RESULTS

Year ended 1st February	1987 £000's	1986 £000's
Turnover	423313	367987
Operating profit	21510	15849
Profit before taxation	21212	15701
Profit after taxation	13353	9194
Earnings per share	14.4p	9.9p
Dividend per share	1.6p	1.35p

I am pleased to report that turnover has increased by 15%.

Operating profits have increased by 35.7%.

Profits before taxation are up 35.1%.

The company is currently involved in a major development programme which will ensure continued success.

K. D. Morrison, Chairman

MORRISONS

Copies of the 1987 Report and Financial Statements may be obtained from:
The Secretary,
Wm Morrison Supermarkets PLC,
Hilmore House, Thornton Road,
Bradford BD8 9AX.

NOTICE TO HOLDERS OF
LORIMAR-TELEPICTURES CORPORATION
6% CONVERTIBLE SENIOR SUBORDINATED DEBENTURES
DUE AUGUST 18, 2001

Pursuant to Section 1008 of the Indenture, dated as of August 18, 1986 (the "Indenture") between Lorimar-Telepictures Corporation (the "Company") and The Chase Manhattan Bank, N.A., as Trustee, NOTICE IS HEREBY GIVEN to the holders of the 6% Convertible Senior Subordinated Debentures due August 18, 2001 (the "Debentures"), that a registration statement relating to the common stock, par value U.S.$.01 per share ("Common Stock"), of the Company issuable upon conversion of the Debentures, was declared effective by the United States Securities and Exchange Commission on March 27, 1987 (the "Registration Date").

The Debentures may be converted into Common Stock of the Company, at any time on or after the Registration Date and on or before August 18, 2001, at a price (the "Conversion Price") equal to U.S.$36.00 aggregate principal amount of Debentures for each share of Common Stock, subject to adjustment as provided in the Indenture. In order to effect this conversion, a Debenture holder should complete and sign the CONVERSION NOTICE on the Debenture and surrender the Debenture together in the case of bearer Debentures with all unmatured coupons and any matured coupons in default appertaining thereto, duly endorsed or assigned to the Company or in blank, at the offices of any of the applicable Conversion Agents set forth below. A holder who surrenders Debentures for conversion will receive a certificate or certificates for the number of full shares of Common Stock issuable upon conversion. No fractions of shares or scrip representing fractions of shares will be issued or delivered upon conversion, but instead of any fractional interest the Company shall pay a cash adjustment as provided in the Indenture. Debentures will be deemed to have been converted immediately prior to the close of business on the day of surrender of such Debentures for conversion.

The last reported sale price of Common Stock on the American Stock Exchange on March 27, 1987 was U.S.$19⅝ per share.

CONVERSION AGENTS

The Chase Manhattan Bank, N.A.
1 New York Plaza – 14th Floor
New York, New York 10081
United States
(For Registered Debentures only)

The Chase Manhattan Bank, N.A.
London Branch
Woolgate House, Coleman Street
London EC2P 2HD
England

Chase Manhattan Bank Luxembourg S.A.
47 Boulevard Royal, CP 240
Luxembourg

Nederlandse Creditbank, N.V.
Herengracht 458
Amsterdam, The Netherlands

Banque Bruxelles Lambert
Avenue Marnix, 24
1050 Brussels, Belgium

Chase Manhattan Bank (Switzerland)
63 Rue du Rhone
1204 Geneva
Switzerland

Berliner Handels- und Frankfurter Bank
10 Bockenheimer Landestrasse
Frankfurt A.M. 1, West Germany

Societe Generale
29 Boulevard Haussman
Paris, France 75009

LORIMAR-TELEPICTURES CORPORATION
By The Chase Manhattan Bank, N.A.,
as Trustee
Dated as of March 27, 1987

CHASE

THE FT TENTH WORLD ELECTRONICS CONFERENCE

London, 13 & 14 May, 1987

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For information please return this advertisement, together with your business card, to:
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London EC4R 9AX.
Alternatively,
telephone 01-621 1355
telex 27347 FTCONF G.
fax: 01-623 8814

Bristol & West BUILDING SOCIETY

£100,000,000

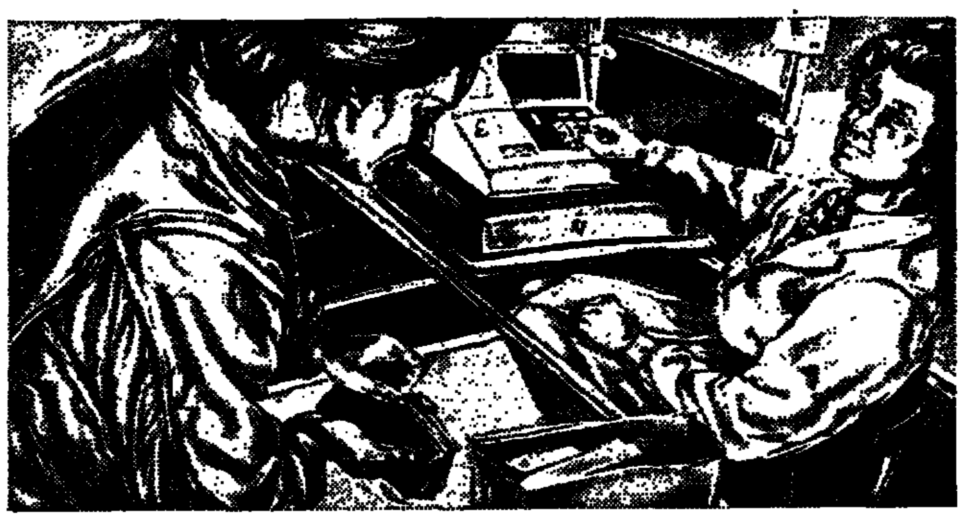
Floating Rate Notes 1992

Notice is hereby given that the Rate of Interest for the three month Interest Period commencing on 22nd April, 1987 has been fixed at 9[15]/16% p.a. and that the interest payable on the relevant Interest Payment Date, 22nd July, 1987, in respect of Coupon No. 6 will be £123.88 per £5,000 Note.

County NatWest Capital Markets Limited

April 1987

We're creating 10,000 jobs.



So that you'll enjoy shopping.

And we can create more jobs.

At Tesco we plan to spend £500m on superstore development during the next two years.

With this will come the creation of 10,000 new jobs, bringing the total workforce figure to over 70,000. Each new superstore will be built with customer care in mind. A free car park, air conditioning, numerous checkouts and wide aisles will be standard. Every store will also take into consideration the needs and tastes of the local community.

We believe profitable growth will be achieved through the development of new stores. This will enable us to invest more in the future. And to create more jobs.

TESCO

Making an investment in quality.

ASTRA

GROUP HIGHLIGHTS FOR 1986

- ☐ Earnings increased faster than sales for the ninth year in succession.
- ☐ Registration applications filed in a number of countries for Losec (antipeptic ulcer agent) and Plendil (antihypertensive agent) – two entirely new drugs resulting from Astra's research.
- ☐ West Germany overtakes Sweden as the Group's largest single market.

	1986 SEKm	1985 SEKm
Sales	4,960	4,436
Licensing income	390	384
Earnings after financial income and expenses and minority interests	1,182	1,041
Employees share in profits	(31)	(30)
Earnings per share after theoretical tax* (SEK)	19.85	18.40
Dividend per share (1986 proposed) (SEK)	3.75	3.00

*Theoretical tax includes taxes that would have been paid on earnings, if no tax credit had been taken through appropriations to untaxed reserves.

NOTICE OF ANNUAL GENERAL MEETING

Shareholders are hereby notified that the Annual General Meeting of AB Astra will be held at 6 p.m. on Wednesday, May 13, 1987 in Folkets Hus, Järnagatan 26, Södertälje, Sweden.

NOTICE OF ATTENDANCE

Shareholders of record in the shareholders' register kept by Värdepapperscentralen VPC AB (Swedish Securities Register Centre) on Thursday, 30th April, 1987 will be entitled to participate at the Annual General Meeting. In order to participate shareholders must also notify the Company of their intention to attend no later than 3.00 p.m. on Friday, 8th May, 1987, by mail, addressed to the Board of Directors, AB Astra, S-151 85 Södertälje, Sweden, or by telephone, by calling Int.+46-755-32980, extension 1516.

Shareholders whose shares are registered in nominee names must, if they wish to be entitled to participate in the Meeting, temporarily re-register their shares in their own names. Such re-registration must be effected not later than Thursday, 30th April, 1987.

A shareholder may attend and vote at the Meeting in person or by proxy but, in accordance with Swedish practice, the Company does not send forms of proxy to its shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company.

AGENDA

1. Matters required by the Company's Articles of Association to be set before the Annual General Meeting.
2. A proposal by the Board to reduce the par value of the Company's shares from 25 kronor per share to 12.50 kronor per share by a 2-for-1 stock split and to amend Section 5 of the Articles of Association in consequence.
3. A proposal by the Board to create two classes of shares – Class A, carrying one vote per share, and Class B, carrying one-tenth of a vote per share – and to amend Section 4 of the Articles of Association in consequence.
4. A proposal by the Board to redesignate the 60,186,172 shares outstanding following the stock split as Class A shares.
5. A proposal by the Board to amend Section 13 of the Articles of Association to the effect that the maximum proportion of unrestricted shares should be altered to 40 percent of the Company's entire share capital and to 22.5 percent of the voting rights of the total number of shares outstanding.
6. A proposal by the Board to increase the Company's share capital from 752,314,650 kronor to 902,777,575 kronor by means of a bonus issue under which a holder of every five restricted and/or unrestricted shares of 12.50 kronor par value each following the stock split would receive one new unrestricted Class B share. The Board proposes 9th June, 1987 as the record date for both the bonus issue and the stock split. The implementation of the bonus issue is conditional upon the Swedish Government's approval of the amendment to Section 13 of the Company's Articles of Association.

DIVIDEND

The Board proposes Monday, 18th May, 1987 as the record date for entitlement to the dividend proposed in respect of 1986. Subject to the approval of the Board's proposal by the Meeting, dividends are expected to be mailed by Värdepapperscentralen VPC AB on 25th May, 1987.

STOCK SPLIT AND BONUS ISSUE

Subject to the approval in General Meeting of the proposed stock split and bonus issue, and the approval of the Swedish Government of the proposed bonus issue,

- the Company's shares will be traded, with the new par value and ex the bonus issue, on the Stockholm and the London Stock Exchanges from the opening of business on Thursday, 4th June, 1987.
- full particulars relating to the stock split and exchange of share certificates will be mailed to shareholders not later than 11th June, 1987;
- the exchange of old share certificates for new will commence on Monday, 15th June, 1987.
- information about the bonus issue, the unrestricted Class B shares, and scrip certificates will be mailed to shareholders not later than 24th June, 1987; and
- the unrestricted Class B shares are expected to be quoted on the Stockholm Stock Exchange on 25th June, 1987.

Södertälje, Sweden, April 1987
BOARD OF DIRECTORS

UK COMPANY NEWS

Sunlight Services reaches £6.6m after 26% growth

ALTHOUGH second-half profits at Sunlight Service Group showed a smaller increase than in the first half, the pre-tax result for 1986 as a whole was up by 26 per cent to a record £6.58m against £5.2m.

Turnover for this cleaning and security group moved ahead 15 per cent from £67.82m to £77.76m.

As indicated in the interim report, the dividend for the year is lifted to 10p (9p), with a lower final of 6.5p (7.45p). Earnings rose by 1.6p to 20.02p per 10p share.

Commenting on the results, Mr J. A. Franks, the chairman, said that with the sound performance in 1986, a strong financial base, *stable management* and an encouraging start to the *current* year, he looked forward to a period of continued development and growth for shareholders.

After tax of £2.25m (£1.6m), extraordinary credits of £592,000 (£17,000 debit) and preference dividends again taking £26,000, attributable profits emerged £1.33m ahead at £4.89m.

Dividends took £2.15m (£1.93m).

● comment

Stubborn stains can prove a headache for any laundry and despite a lot of scrubbing, the office cleaning business is still proving a blot on Sunlight's profits performance. The divi*sion made virtually no return* on £12m of turnover last year; the company would probably be delighted if it made half a million in this. Profits growth across the group was not that exciting, given that the acquisition of Custodian added £300,000 post-interest and there was a further £250,000 benefit from the fallin the interest charge. But the textile maintenance division probably did well to increase profits by 10 per cent in a year when hotels were *suffering from the* Libaya *and* Chernobyl factors. The solidity of Sunlight's earnings should be no surprise, given that around 66 per cent of its revenues come from recurring annual rental income. Add in the solid yield of 4.8 per cent and the shares at 294p might make a geed *defensive stock for* those concerned about a bear market.

William Low profits hit by sharp rise in interest charges

William Low & Co, the Scottish supermarket and freezer-centre group, lifted pre-tax from £3.02m to £3.44m on turnover up from £125.56m to £131.01m in the 28 weeks to March 21.

However, the profits figure was struck after interest charges of £614,000 (£25,000) after capitalising £676,000 (£235,000) of interest on borrowings incurred to finance the group's development programme.

The increase in turnover, taken after allowing for closures, was largely attributable to new store openings but also to an increase in trading volumes on a like-for-like basis.

The directors said that operating margins had also improved, reflecting the growing contribution from major new units. They stressed that the group's current development programme was fundamental to its long-term strategy.

Since the financial year end *on September 6, 1986 — Low* reported a 16 per cent rise in pre-tax profits to £7.26m (£6.27m) for the year—the company had opened major new stores *at Inverurie and Dunbar* in Scotland and at Goole and Consett as part of its firm programme of expansion into *England.*

By the end of the current year, Low will have added new stores in Inverness, Stranraer *and Felling, providing* a net additional 90,000 sq ft of selling area for the year.

The directors said that next year the company intended to open a further eight stores, adding another 120,000 sq ft.

Over the two-year period there would be a gain in net *selling area of 35 per cent and* the directors added that operating results were continuing to improve in the development costs. They expected a satisfactory outcome for the full year.

Tax charges fell to £1.03m (£1.06m) and earnings worked *through up 3.43p at 18.44p. The* declared interim is raised 0.5p to 5p.

Hartons profits advance 34%

Hartons Group, international plastics, distribution and manufacturing concern, yesterday announced pre-tax profits up 34 per cent to £2.54m for 1986, *compared with a previous* £1.89m. While profits on its continuing activities reached a record £3.5m (£2.54m), losses on the discontinued activity increased to £964,000 (£647,000).

Discontinued activities related to DIP, the group's gas and electrical appliances maker which was sold in July. Proceeds from the sale of its net assets amounted to £1.5m, resulting in a loss on disposal of £2.1m, which has been treated as an extraordinary item.

The directors are recommending an increased final dividend *of 1.07p (0.829p), making* a total for the year of 1.6p (1.27p). Earnings per 5p share fell from 3.31p to 3.19p.

Mr Max Maimann, chairman, said that the principal activities had continued to forge ahead during the year. Greater impetus to that growth would *now be possible, he added, due* to the divestment of DIP, and the raising of £5.2m through the November rights issue.

The directors were convinced, he said, that the underlying strength of the group's operating companies and the invest*ment of over £6m on acquisi*tions and new plant would not only allow Hartons to report its sixth successive year of profit advancement in 1987 but also achieve faster growth in future years.

Group turnover for the year moved ahead to £99.83m *(£53.53m), with continuing* activities contributing £56.64m (£45.51m).

USM placing for UCL

BY ALICE RAWSTHORN

The UCL Group yesterday emerged as the latest recruit to the electronics sector by unveiling plans to join the *Unlisted Securities Market* in a placing of shares which will value its business at £9.98m.

Since it was founded seven years ago the UCL Group has expanded from its South London base to develop a vertical operation encompassing hardware and software supply with a support and maintenance service.

After the flotation the group intends to embark upon acquisitions, chiefly in the areas of computer maintenance and software packaging. Mr Nicholas Drescher, UCL's chairman and managing director, *said that although the company* had been able to engage in acquisitions as a private concern, going public would increase its flexibility to do so.

In the placing, through Capel-Cure Myers, the group will issue 1m shares, or 12.6 per cent of its equity, at 125p a share. All the proceeds of the issue will be ploughed back into the company. At the placing price UCL's earnings per share for 1986 are 7p and the p/e is 17.75.

Further expansion by Expamet

BY GRAHAM DELLER

Expamet International, supplier of components and services to industrial building and security markets, is to take another step in its planned diversification strategy through the acquisition of Christie Hydraulics in a £3.34m deal.

Christie, a manufacturer of hydraulic accumulators, made pre-tax profits of £516,000 in the year to end-June 1986. Net assets at that time were valued at £1.01m.

The acquisition, which also includes Christie's Australian *subsidiary, is to be financed by* the issue of 1.71m Expamet shares, 106,075 of which are to be retained by the vendors. The remainder will be placed by Greenwell Montagu at 195p per share.

Expamet said that an additional consideration may be payable in April 1990 based on an improved profits performance in 1988 and 1989.

Hydraulic accumulators are used by defence, aerospace, automotive and oil and gas industries. They are a vital *component of fluid systems for* energy storage or surge control and pulsation dampening applications.

Expamet entered this field last year via the purchase of Olaer-Fawcett-Roth from Thorn EMI in a *£7.92m* cash deal.

Christie was founded in 1973 by former directors of Fawcett. Expamet said it saw considerable benefits of co-operation between the two companies. A dominant position in both the UK and Australian accumulator markets would be reinforced by *benefits in technical research* and development as well as marketing and overhead costs.

Mr Alex Orr, Expamet managing director, said: "We can see clear commercial and industrial benefits in this acquisition.

"It follows our proven formula—17 acquisitions in *three years—for purchases* within our specific areas of expertise where Expamet can add value to the acquired company."

BOARD MEETINGS

TODAY

Interims: Berry Trust, British Assets Trust, Equity and Law International Funds, Futura, London Entertainments, Memory Computer, Nolton, Scottish Metropolitan Property.

Finals: Allebone, James Beattie, British Island Airways, Clayton Son & Co, Falcon Industries, Liberty, Molynx, E. Upton, Rex Williams Leisure.

FUTURE DATES

Interims:

Govett Strategic Invest. Trust	Apr. 30
National Home Loans Corp.	Apr. 28
Nolton	Apr. 24
Royal Bank of Scotland	May 6
TMD Advertising	May 11
Tate and Lyle	Apr. 25
Warner Estate	May 26
Finals:	
Centreway Trust	Apr. 29
Delyn Packaging	Apr. 29
Downiebrae	Apr. 29
Framlington Overseas Income & Growth	Apr. 28
Holt (Joseph)	May 5
Metal Box	June 9
Noble and Lund	Apr. 29
Unigate	June 9

‡ Amended

IN BRIEF

WOODHOUSE AND RIXSON (Holdings): Annual meeting told that the steady improvement outlined at the time of the preliminary statement had increased in pace to date. Improved activity in aerospace and mining sectors had been confirmed and there were *signs* that oil sector was awakening. Together these factors gave further grounds for confidence in the outcome for 1987 as a whole. The acquisition of Shildon Forge was completed earlier this month.

CAMOTECH (USM automotive components and plastics group): Pre-tax profits for half year to February 28 1987 were £89,000 *(£98,000) after £43,000 (nil)* exceptional items. Turnover £3m (£2.75m). Earnings per 10p share 1.1p (3.9p) and interim dividend 0.686p.

INVESTORS Capital Trust (investment trust): Net asset value per 25p ordinary share 407.9p (355.9p) at halfway stage on March 31 1987. Interim payment 3p (1.8p); second interim payment 3.15p (2.7p).

BULLERS has agreed to buy G. W. Lunt & Son ,a producer of metal art pieces, and its finishing arm, LY Fine Products for an initial cash consideration of £1m plus further payment depending on the profits of the Lunt group in the years ending December 31 1987 and 1988.

PINEAPPLE GROUP has bought Keymarket Out and About, holiday promotions and incentive business, for an initial £100,000 satisfied by the issue of 116,000 shares which have been placed. There will be a further profit-related consideration partly in cash or loan notes and partly in shares. In the 11 *months to the end of March* 1987 Keymark had pre-tax profits of £83,216 and net assets at the end of the period of £60,000.

STEEL BROTHERS *Holdings'* subsidiary Becorit has strengthened its position as a major supplier of mining equipment to the coal industry through the acquisition of Wultex Machine Company from Hampton Gold Mining Areas.

CORRECTION NOTICE

REPUBLIC OF ICELAND

£2,000,000

8½ PER CENT

STERLING LOAN 1983/92

Drawing of bonds £75,700 (nominal).

Bonds drawn will be at par.

Hambros Bank Limited
Agent Bank

ACCOR

1986 PROFITS UP 30%

The Board of Directors of ACCOR, meeting on April 10, 1987, closed the accounts for the 1986 fiscal year.

The Group's share of after-tax consolidated net income amounted to FFr 235.6 million. Excluding exceptional items, net earnings for the year were FFr 231.5 million against FFr 178.2 million in 1985, an increase of 29.9%. Cash flow for the year amounted to FFr 729.6 million, 33% higher than in 1985. Including the 2,042,067 shares issued during the year (convertible bond conversions, exercise of warrants, reinvestment of dividends in shares), after-tax earnings per share before excep*tional items amounted to FFr 21.35 against* FFr 19.04 the previous year, an increase of 12.1%.

Consolidated sales amounted to FFr 12,935 million, 43% of which were generated abroad, thus experiencing growth of some 11% on a comparable year-to-year basis.

Parent Company sales excluding taxes amounted to FFr 975 million and net income to FFr 147.1 million, including FFr 45 million in non-recurring capital gains. The Annual Shareholders' Meeting, to be held May 26, will be asked to declare a dividend of FFr 6.50 per share (plus a tax credit), 12.1% higher than that paid out for 1985.

These results are in the upper range of what was forecast despite the number and the dimensions of the difficulties affecting the industry — a lower dollar, terrorism, disaffection of American tourists for Europe, economic difficulties in Africa and the Near East, the Cruzado plan in Brazil. This performance demonstrates the merits of ACCOR's policy of diversifying core business products and the geographical distribution of operations, as well as its teams' capabilities of fast reaction in the face of such events.

The Group continued to pursue growth with 58 hotel openings in 1986 and 62 under construction at January 1, 1987. At this date, hotels in operation and under construction counted over 70,000 rooms for 600 hotels. In the commercial restaurants and institutional food services sectors, 200 units were opened, bringing the total number of Group restaurants to nearly 2,000. Meal and other service vouchers issued and used daily rose 17% to further strengthen ACCOR's position as the world's leader in this field.

Results for the first months of 1987 are in line with forecasts and the Group's growth objectives.

A STRONGER CAPITAL BASE

At the same meeting, the Board of Directors of ACCOR voted to convene an Extraordinary General Meeting of the shareholders to approve a capital increase through issue of 2,516,000 shares at FFr 532 per share, representing FFr 1,338.5 million in new equity.

SUEZ TO TAKE A STAKE IN ACCOR

Purchase of these new shares would be reserved to Compagnie Financière de Suez, with which ACCOR has a long-standing relationship, to Société Générale, Paribas, BNP and UAP, all currently shareholders and Board members and to Crédit Lyonnais. The Board's decision was unanimous because the offering, priced near the current market price, would both substantially strengthen equity and bring to ACCOR the support of France's prestigious financial institutions. This support would contribute to the Group's international growth and provide dynamic backing for its strategy.

After completion of this transaction, ACCOR's principal shareholders would be:

—Compagnie Financière de Suez	10.5%
—Caisse Centrale des Mutuelles Agricoles	6.3%
—Société Générale	5.3%

and Paribas, UAP, BNP, Caisse des Dépôts et Consignations, Banque Louis-Dreyfus, Crédit Lyonnais, Crédit du Nord, BUE and Messrs. DUBRULE and PELISSON, the co-chairmen.

Compagnie Financière de Suez would be represented on the Board of Directors and ACCOR's Associate Board respectively by the Governor, Mr. Renaud de la GENIERE, and by Mr. Gérard WORMS.

If approved, this capital increase will be completed by the issue of stock purchase warrants to the benefit of all shareholders for subscription to a new share offering to be subscribed before end 1989 or end 1990. The detailed terms and conditions for this issue will be decided after the Extraordinary General Meeting, to be held in principle on May 26, pronounces on the resolutions submitted to it. These terms and conditions will be set out in a prospectus submitted to the approval of the C.O.B., the French securities regulatory commission. The rights attaching to the 1983 French franc-denominated and 1984 US dollar-denominated convertible bonds as well as those of C warrant holders (issued 1985, maturing end 1987) will of course be preserved.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

VAUX GROUP plc

(Incorporated in England under the Companies Acts 1908 to 1917 – No 224163)

Placing of £25,000,000 9.875 per cent Debenture Stock 2015 at £98.09 per £100 nominal payable as to £25 per £100 nominal on acceptance and as to the balance on or before 1st September 1987

Application has been made to the Council of The Stock Exchange for the whole of the above Stock ("the Stock") to be admitted to the Offical List.

In accordance with the requirements of the Council of The Stock Exchange two market makers will each be offered a participation in the marketing of the Stock.

Listing particulars, including particulars of the Stock, are being circulated in the Extel Statistical Services and copies may be obtained during usual business hours on any weekday (excluding Saturdays) from the Company Announcements Office, The Stock Exchange, London EC2P 2BT until 27th April 1987, and up to and including 8th May 1987 from:

Vaux Group plc	Cazenove & Co	Noble Grossart Limited
The Brewery	12 Tokenhouse Yard	48 Queen Street
Sunderland	London	Edinburgh
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24th April 1987

Chrysalis profits more than doubled at £5m

Chrysalis Group, the growing entertainment and leisure services group, more than doubled pre-tax profits from £2.42m to £5.04m in the six months to December 31, 1986, on turnover up over 50 per cent to £68.6m.

Mr Chris Wright, chairman, said the results reflected substantially increased profit contributions from major trading activities. This followed the indication given at the AGM in January that all mainstream divisions had been trading ahead of budget.

The record companies, in particular, had shown significantly improved performance, benefiting to some extent from a product release schedule biased towards the first half.

This, together with impressive results from Lasgo, the wholesale export business acquired in 1985, had resulted in a doubling of the profit contribution from the records division.

Profits from the machines division had also shown solid growth

"Taken with current trading, these results put the group as a whole on course to meet its targeted profit for the year," Mr Wright added.

Earnings per 10p share advanced from 6.39p to 12.53p and the interim dividend is maintained at 2p net — last year's total was 5.6p on £5.31m pre-tax profits.

The interim figures included an extraordinary profit of £7.01m (£88,951 loss) which represented the surplus arising after tax, on the sale of Kingsmead Hotels. Included within the surplus is a transfer from revaluation reserves of £5.5m.

Tax charge was £1.59m (£0.78m) and after the extraordinary item and minorities, the attributable surplus leapt from £1.61m to £10.35m.

comment

Chrysalis has taken a firm grasp of the volatile record industry. Its impressive profits growth reflects a broadening of its stable of pop stars, good management and a policy of developing related businesses. This has given a firm base for further expansion. The interim figures were helped by strong pre-Christmas record sales from Billy Idol, Huey Lewis and the Housemartins. In the second half the group is concentrating on less well know names which means the growth rate is unlikely to be sustained but Chrysalis has a reputation for picking artists that sell well for a number of years. The full year will also see a profits contribution of about £700,000 from the promotion of Max Headroom, the computerised pop hero, and a health contribution from the amusement and machines division. These should push pre-tax profits for the year to about £8m which at 255p, down 3p, gives a prospective p/e of about 13. Although lower than its competitor Virgin, this is a reasonable reflection of the groups prospects.

Micro Focus second half recovery but stays in the red

BY PHILIP COGGAN

Micro Focus Group, the computer software company, moved back into the black with a second half profit of £153,000 but that failed to prevent the group from reporting a pre-tax loss of £329,000 for the year ending January 31 1987.

The group's share price halved in one day two years ago when it announced an unexpected drop in pre-tax profits. In the following year, the group recorded a pre-tax loss of £2.79m, despite a cost-cutting programme which shed around 20 per cent of the workforce.

Ironically, the fall in the share price, once 970p, to its current level of 141p, has forced the group to write down a loan made to a nominee company set up to facilitate a share option scheme. Since the nominee company's ability to repay the loan was dependent on the share price, the company felt it prudent to make a provision of £950,000 which is recorded as an extraordinary item.

Above the line, a sharp drop in the doubtful debts provision from £1.25m to £172,000 provided about half of the improvemet last year but the main trading pick-up came in Europe where net revenues rose ny 42 per cent. However, net revenues were only static in the US and were halved in Japan.

The group has recently concentrated on improving its cash position and there was a net cash inflow of £1.2m last year, compared with an outflow of £4.1m in the previous year. Net bank borrowings by the year end had dropped to £2.5m (£3.7m).

Net revenues were slightly lower at £13.08m (£13.35m) and there was a small tax charge of £15,000 (£761,000 credit). The loss per share was 3p (16.8p) and the company has never paid a dividend.

See Lex

Platignum hit by plastics losses

HEAVY LOSSES incurred by its plastics division dented pre-tax profits at Platignum, the pen and plastics manufacturer, in the year to January 31 1987.

Profits slipped back from £301,000 to £275,000 on turnover up from £10.9m to £12.45m. At the halfway stage Platignum reported profits of £21,000 (£78,000) and a two-for-five rights issue to finance acquisitions and cut borrowings.

Mr David Leeming, chairman, said that the profit was better than predictions made last September at the time of the purchase of two plastics companies, Copa and VPT, and included both an element of profit from these companies and a final contribution from Leonardt, an associated company in which Platignum disposed of its interests in July last year.

He said that the losses in the plastics division had now been curtailed by the integration of the Copa business into Platignum's existing moulding plant.

Sales of this operation and of the remaining group activities were now running at a level 15 per cent higher than last year's and with margins and overheads well under control the group was showing a dramatic improvement in first quarter profits, with the prospects for the current year looking favourable.

Mr Leeming said that the company would no longer be applying for a reduction in share capital. This had proved to be unnecessary following the certain transfers to the accounts after a review of the company had revealed substantial over-depreciation on fixed assets

He stressed that the company would continue its policy of expansion by acquisition and a number of opportunities were currently under review. The cash purchase of another distribution business was at an advanced stage.

Tax charges rose to £45,000 £33,000). Extraordinary items of £356,000 (£82,000 deficit) comprised a realisation deficit on RP Collier, adjustments for the sale of Leonardt and the surplus from a valuation of fixed assets.

Profit per ordinary share fell from 0.55p to 0.31p. As with last year, no dividends will be paid.

Share Drug half year profits exceed £1m

Share Drug Stores, the Southampton based drug store chain, announced that for the 26 weeks to February 28, 1987, turnover was up 40 per cent from £17.05m to £23.82m and pre-tax profits by 32 per cent from £851,000 to £1.13m.

Mr Alan Prince, chairman, said that during the period the company had opened 20 new stores, brining the total to 115. In addition two stores were extended in size. Since the beginning of the second half, one new store had been opened and one closed.

Mr Prince said that trading to date in the second half had been satisfactory and the directors were confident that the rapid store opening programme of recent years would lead to further growth as the stores matured over the next few years.

Operating profit in the period was up from £950,000 to £1.14m and net interest payable was down from £99,000 to £19,000.. Tax charged was £405,000 (£323,000) and earnings per share worked out at 6.8p (5.9p). The interim dividend is raised from 0.9p to 1.1p.

Govett's Broad St. stake

Govett Strategic Investment Trust has acquired 1.92m shares in Broad Street Group, the fast-expanding financial and corporate public relations and advertising company which came to the USM last September via the reverse takeover of Stanelco, a "shell" company involved in heating equipment.

The block, representing 8.3 per cent of Broad Street's equity capital was purchased at 55p per share and comprised the entire holdings of non-executive directors Mr David Landau and Mr Peter Beswick and Alcas International Software Services. Both Mr Landau and Mr Beswick have resigned from the board. Mr Landau was formerly chairman of Stanelco.

Speaking at yesterday's first annual general meeting, Mr Roy Close, Broad Street chairman, said that the group had continued to strengthen its base and as a result had secured a number of new assignments.

Steetley in £12m purchases

Steetley has made its first investment in clay bricks in the US with the $10m (£6.1m) purchase of Maryland-based Victor Cushwa & Sons through its subsidiary, Steetley Brick & Tile.

Cushwa makes quality hand and machine moulded facing bricks marketed under the Calvert trade name. Steetley said Cushwa's excellent reputation provided it with a firm base for its future development plans in the clay bricks market.

In addition to its equity capital, Cushwa had $5m of term bank debt outstanding.

Steetley has also recently made two major quarry acquisitions in France, with its French operating company Steetley Quarry Products paying FFr 60m (£6m) Chapelle SA and Lemaitre SA. The former purchase takes Steetley into the French road surfacing market and the latter provides access to the important Ile-de-France region around Paris.

At yesterday's meeting, Mr David Donne, the chairman, said 1987 started well, with continuing good demand for construction products in all territories.

GKN purchase

GKN is paying $6m (£4.1m) for the Sparks Tune-Up division of MAACO Enterprises. Formed in 1981, Sparks, which operates throughout the US through 143 franchised outlets, made a small loss before tax and interest in 1986 on sales of $6.4m.

COMMODITIES AND AGRICULTURE

Peru seeks 'permanent' silver price stability

By Doreen Gillespie in Lima

PERU IS seeking to prevent the price of silver from falling below $7.80 a troy ounce through its suspension of silver sales on international markets, Mr Leonel Figueroa, president of the Central Bank, said.

The sales freeze, announced on Monday, would remain in effect "until the price is stabilised on a permanent basis," he said.

Local miners and metal traders are still confused by Peru's move. The Government has assured them that existing contracts, under which the bulk of Peru's silver production is already committed, will be honoured. Mr Figueroa says that Minpeco, the state marketing arm, will buy silver production from local producers. However, these were still waiting yesterday morning for the pertinent marketing regulations.

He also said that the Government had told Mexico of its decision to stop silver sales. But it had been a sovereign decision, like restricting payments of the foreign debt to 10 per cent of exports, and each country had to analyse its own position.

Mr Andres Bravo, president of the National Mining Society, said that the Government's decision had taken miners by surprise, but that the increase in silver prices was obviously good news for Peru.

William Orme in Mexico City adds: Mr Alfredo Del Mazo, Mexico's Minister of Energy, Mines and State Industry, has no immediate plans to travel to Peru to co-ordinate silver marketing strategy with that country.

Peruvian officials said an invitation to Mr Del Mazo had been extended on Wednesday by Peru's Amabssador in Mexico.

Mexico's leading private silver exporters meanwhile denied that they were limiting foreign sales. Mexico still expects to ship out some 70m troy ounces of silver this year, maintaining its long standing position as the world's largest exporter of the metal.

Philippine coffee sales decline

PHILIPPINE COFFEE exports fell to 8,346 tonnes in the first half of the 1986-87 coffee year ending September, from a record 26,760 tonnes in the same 1985-86 period, the Department of Trade and Industry said, reports Reuter from Manila.

Aggregate fob value fell 72 per cent to $20.2m fro m$73m a year earlier, it said in a report. Exports for the first six months of the current coffee year were only 55 per cent of the export volume in 1984-85 when International Coffee Organisation (ICO) export quotas were in force.

The report said 96 per cent of total exports during the six-month period were shipped to ICO member countries.

Major buyers included the US, which purchased 38 per cent of the exports, and Singapore, which bought 24 per cent, followed by West Germany with 11 per cent.

Robusta varieties accounted for 7,151 tonnes or 86 per cent of total exports, while Excelsas accounted for 952 tonnes or 11 per cent. Arabica and Liberica varieties recorded minimal exports amounting to 90 tonnes or 1 per cent of the total.

Malaysian tin producer worried by output rise

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN mining industry is concerned that efforts to stabilise world tin prices could be jeopardised by the reopening of mines closed in the aftermath of the 1985 crisis.

Mr Ibrahim Menudin, president of the Malaysian Chamber of Mines, said yesterday that higher prices this year had encouraged the resumption of production at 28 Malaysian mines which had shut up shop after the collapse of the price-supporting International Tin Agreement in October 1985 had sent world prices for the metal tumbling. This was expected to push the country's 1987 production above last year's level of 29,134 tonnes, he told the Chamber's annual meeting.

He said it was his understanding that "a severe restriction on the resumption of idle units is to be adhered to" if the supply rationalisation scheme of the association of tin producing countries was to succeed.

He pointed out, however, such a policy was particularly harsh on small-scale mines, some of which had effectively cut production costs. The Malaysian Government, "in pursuit of this rationalisation scheme," should "not preclude such economically viable production and deny these miners from seeking potential rewards," he added.

His comments reflected the worry in the dredging sector that extra production from re-opened mines might depress prices.

Many gravel pump miners are supporters of the Gerakan Party, a junior partner in the Malaysian coalition Government. The party is led by Dr Lim Keng Yaik, the Primary Industries Minister. Dr Lim is expected to be challenged in the party's elections in June, and has the delicate task of balancing his party's electoral interests against the need to ensure that the tin price recovery is not jeopardised.

Since the tin price, which averaged 15.36 ringgits (£3.80) a kg last year, has moved up to a current level of 17 ringgit, more than a 100 gravel pump mines have applied for permission from the Ministry to re-start production.

Mr Ibrahim, who is chief executive of Malaysia Mining Corporation, the country's biggest tin producer, said world production for this year, was unlikely to go very much beyond the 127,000 tonnes of last year.

THE ASSOCIATION of Tin Producing Countries estimates that the world's tin surplus will fall by a further 29,000 tonnes in 1987, leaving outstanding supplies of 48,000 tonnes at the end of the year. If it is accepted that about 20,000 tonnes constitutes "normal stocks," the surplus will then be only about 28,000 tonnes. A similar rate of depletion in 1988 would lead the market to return to normal at the end of next year.

Brazil plans lower beef imports

BY PATRICK KNIGHT IN SAO PAULO

BRAZIL EXPECTS to export between 300,000 and 350,000 tonnes of beef this year, down from last year's 450,000 tonnes. But no significant beef imports are planned.

The imposition of a price freeze last year prompted a sudden surge in demand and forced the Government to import 430,000 tonnes of beef from the EEC, the US, neighbouring countries and elsewhere. Consumption jumped from about 13 kgs per head to more than 20 kgs, while farmers not satisfied with the low price fixed, held on to stocks hoping for better returns later.

In spite of the extra imports the farmers were proved right and meat prices rose faster than inflation in 1986.

Following the abandonment of the anti-inflation policy demand has now fallen, despite lower prices.

Exporting is again attractive as world beef prices have hardened, partly in response to Brazil ceasing to export and stepping up imports. The weakness of the dollar also means a higher price for Brazil's farmers.

Last year farmers also reduced the number of cows sent for slaughter from the usual 28 per cent to about 6 per cent of the total. As a result, Brazil's herd will rise by about 10 per cent this year to almost 150m head. This means that the year's meat production should increase from 2.3m tonnes to between 2.7m and 2.8m in 1989. Unless internal demand surges again it will remain at about 2.1m tonnes.

Last year's sudden surge in demand came when the government had no significant carry-over stock for the end of the dry season, when supplies of fresh meat are at their lowest. A stock of 50,000 tonnes is being formed this year so no imports should be needed at the end of the year.

Despite being absent from the market for several months Brazil has not lost any customers for corned beef, which forms the bulk of its exports. Low labour costs mean it can produce this labour-intensive product more cheaply than competitors, who in any case were not able to respond to a short-term beef shortage.

Cocoa demand begins to reflect low prices

BY RICHARD MOONEY

THE DEPRESSED level of cocoa prices at last seems to be having some impact on consumption tends, according to the latest market report from Gill and Duffus, the influential London trader.

"Historically low prices, and the expectation of buffer stock intervention (on behalf of the International Cocoa Organisation), have encouraged many of the larger chocolate manufacturers to maintain rather longer cover than might usually be thought appropriate at a time of surplus," the report says. "These lower prices have therefore already been locked into some manufacturers' budgets and when they come to be reflected fully in the retail market the conditions for a sustained upturn in consumption will have been established."

In the short-term, however, Gill and Duffus sees little prospect of a price rally and expects the burden of supporting the market to fall on the ICCO buffer stock.

Although there have been crop problems in Brazil it appears that any losses there have been broadly offset by continued production increases in West Africa, the report says. As a result the projected 1986-1987 crop surplus is little changed from the broker's last report at 65,000 tonnes. This would be the third annual surplus in succession and would raise the world stocks total to 709,000 tonnes, equivalent to more than four months' demand.

Acquisition blamed for co-op's failure

By David Blackwell

THE COLLAPSE of Welsh Quality Lambs, the livestock co-operative, in August last year can be traced back to its 1985 decision to take a controlling interest in a modern export abattoir at Craven Arms, according to a report published this week by the Co-operative Development Board.

The report says that, although the £385,000 purchase price seemed attractive, the Board did not seem to have taken into consideration the financial implications of acquiring "a seriously undercapitalised business" without "proper evaluation of its commercial viability."

It concludes that responsibility for the decision rests with the Board, even though there was a positive recommendation from the managing director. The Board is the ultimate policy-maker, stresses the report, and the excuse heard many times during the investigation that the directors "are only farmers is just not good enough."

The report says the co-operative, which had an annual turnover of about £30m, has a liability in respect of Craven Arms of £1m, and outstanding unsecured creditors are believed to be in excess of £1m. Even if the assets of the co-operative realise £1m, there will be only a small pay-out for creditors.

Dominican pineapple plan

BY CANUTE JAMES IN KINGSTON

THE DOLE FOOD Company of California has leased 12,000 acres of sugar cane lands in the Central Dominican Republic for the cultivation of pineapples, with the aim of exporting 100,000 tonnes in various forms each year to the US.

The company has leased the land from the State Sugar Council (CEA), which has been diversifying and reducing sugar production because of financial problems brought on by weak prices.

The land has been leased initially for 25 years, with an option to renew for another 35 years and to lease another 12,000 acres.

Mohammed Aftab on the world's biggest cotton exporter

Pakistan picks up the threads

THE Pakistani Government removed one of the major uncertainties clouding the world cotton scene when Mr Mahbubul Haq, the new Commerce Minister, announced recently that it had decided to fulfil all its export commitments and orders.

The uncertainty had arisen because of recriminations against the state-owned Cotton Export Corporation (CEC) for committing around half of the country's 1986-87 export supply at the bottom of the market. The CEC is understood to have committed about 2m bales last summer at prices as low as 25 cents a lb—a 12-year low. Prices have more than doubled since then, mainly because adverse weather kept US exports to a lower level than had been expected. China's crop was also well below the forecast level.

Following investigations into its operations late last year the top management of the CEC has been replaced.

Pakistan has emerged in the past two years as the world's biggest cotton exporter and is likely to close 1986-87 with total exports of 4m bales, Mr Haq says. He expects a carry-over of not more than 500,000 bales from the present crop.

In 1985-86 (July/June) exports totalled 4.151m bales, valued at $533.7m. The export commitments and contracts for 1986-87 which are being supplied amounted to 3.316m bales up to April 8. The total value of these contracts was $402.96m. Against these commitments and contracts, 2.849m bales, valued at $389.54m, had already moved out.

Pakistan is expecting another bumper crop in 1986-87. Mr Mohammed Ibrahim Baluch, the Minister for Agriculture, says the crop will be a record 7.6m bales, up 4.6 per cent from 1985-86. The production target for 1986-87 was 7.2m bales.

"While the current season is the third consecutive record-setting year, it is hoped that the momentum, so far gained, will not only be maintained but there will also be a further acceleration in yields per hectare," Mr Baluch says.

Pakistan's increased cotton production has been mainly because of the rapid adoption of modern technology. This has resulted in yields increasing from 435.68 kg a hectare in 1983-84, to 441.5 kg in 1984-85, 511 kg in 1985-86, and 522 kg in 1986-87.

"At the 1986-87 yield record of 522 kg a hectare, Pakistan exceeded the world average of 512 kg a hectare for the first time in its 47-year history, chiefly because of introduction of the new technology package," which included more fertilisers, quality seed, improved irrigation and easy credit, says Mr Hashamul Haque, a prominent cotton scientist.

With the help of Rome-based Food and Agriculture Organisation (FAO) Pakistan has also evolved a new standardisation system for seed cotton and lint, based on technical differentiations, as well as premiums and discounts, and use of objective evaluation. While this system is yet to be adopted, officials hope that the use of lint cleaning equipment, along with the standardisation system, can raise the price of Pakistani cotton lint by about seven or eight US cents a lb.

Pakistan's traditional cotton buyers include Japan, Bulgaria, China, Taiwan, Hong Kong, Bangladesh, Britain, Thailand, South Korea, Belgium, Finland, West Germany, Sweden, and Italy.

With three consecutive bumper crops, Pakistan is also increasingly looking to expand its export marketing facilities, which have remained somewhat restricted since cotton exporting was nationalised in the mid-1970s. As a result of constant demand by private business, the Government is now toying with the idea of permitting private exporters into the trade, to compete with the CEC. But, if permission is eventually granted, the State Bank (central bank) will still have to approve all export prices, in order to ensure that there is no under-invoicing, dumping, or unfair competition with the CEC.

LONDON MARKETS

SILVER CONTINUED to advance strongly in London yesterday, reflecting recent strength in precious metals and Peru's decision to suspend overseas sales. The spot price added 27.75p per troy ounce to 509.1p at the morning fixing—the highest since May 1985—and the London Metal Exchange cash price rose by 37.5p to 517.5p. Traders said the market had been given fresh impetus by the strong overnight trend in New York, but trading was very quiet. Copper prices, in contrast, fell heavily, reflecting sterling's strength against the dollar and aggressive selling in New York. The cash price on the LME reached its lowest level since November 1982, falling £20 a tonne to £877.50. The three-month price declined by only £11.25 to £862.25, narrowing the cash premium to £15.25, against £26. Traders said the market remains vulnerable to further downside pressure, reflecting the trend in New York, expectations of a continuing build-up of LME warehouse stocks and the approach of a quiet season for physical metal trading. The cash price for aluminium also fell sharply on the LME, shedding £30 to close at £819 a tonne, while the three-month position fell £11 to £789.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

COPPER

LEAD

NICKEL

ZINC

TIN

GOLD

SILVER

RUBBER

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

COFFEE

COCOA

POTATOES

SUGAR

OIL

FREIGHT FUTURES

MEAT

US MARKETS

SILVER FUTURES featured the most noticeable move, reports Drexel Burnham Lambert. Persistent and mixed buying kept the market steady in the face of intermittent profit-taking before a fresh wave of buying took the market to limit-up, where it remained to the close. Gold and platinum futures opened steady in response to the dollar's fall and firmer bullion prices, and held steady throughout the day, closing with pared gains on profit-taking. In copper futures continued liquidation in the May contract and sell stops depressed the market in contrast to the precious metals. Crude oil futures rallied in sluggish trading on light trade buying and short-covering, more in response to the weaker dollar and the rally in the products, which was seen as a technical move. Cocoa futures rallied on dollar weakness and speculative buying. Coffee rallied on a combination of commission house short-covering, trade buying and price-fixing. Sugar futures rose on trade and scattered speculative buying. Cotton futures rallied on commission house short-covering in forward months despite continued liquidation in the May position. Orange juice futures rallied on commission house buying and stops. The grains were generally steady reflecting a combination of concern over bad weather in the Soviet Union, dollar weakness and technical considerations.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
May	64.00	63.75	64.00	63.50
June	62.55	62.40	—	—
July	61.80	61.75	62.00	61.40
Sept	58.50	58.20	58.50	58.50
Dec	58.50	58.20	—	—
Jan	58.50	58.20	—	—
March	58.50	58.20	—	—
April	65.00	—	—	—

CHICAGO

HEAVY FUEL OIL

SOYABEAN MEAL

GRAINS

GAS OIL FUTURES

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Poor reaction to US GNP

THE DOLLAR finished the day on a weaker note as US GNP figures for the first quarter were received with disappointment. The market had been keen to establish a trend after the announcement but news of a better than expected rise of 4.3 per cent was tempered by a large accumulation of inventories which suggested that goods were being produced but not sold. Hence predictions for second quarter figures were marked down.

The dollar closed at DM 1.8145 from DM 1.8240 and Y141.25 compared with Y142.35. Elsewhere it slipped to SFr1.4830 from SFr 4970 and FFr 6.0325 from FFr 6.0675. On Bank of England figures, the dollar's exchange rate index fell from 101.4 to 101.0.

The weaker trend came despite further attempts by central banks to support the dollar, albeit on a modest scale. However, the extent of the dollar's fall was insufficient to test the important resistance levels of DM 1.80 to Y140.0 and fears of intervention by the US Federal Reserve were enough for the time being to hold the US unit. However, its undertone remained very bearish and most dealers expected a further assault on the lower levels.

STERLING—Trading range against the dollar in 1987 is 1.6340 to 1.4710. March average 1.5926. Exchange rate index 72.5 against 72.3 at the opening and 72.4 on Wednesday. The six months ago figure was 67.5.

Sterling finished on a firmer note, helped not only by a weaker dollar but also by continued optimism about a Conservative win at the next general election. Against the dollar it finished at $1.6365, its best closing level since December 1982 and up from $1.6275 on Wednesday. There were suggestions that the Bank of England followed up Wednesday's intervention with further purchases of dollars and D-Marks but any intervention was confined to a smoothing operation rather than a determined attempt to reverse market trends.

D-Mark—Trading range against the dollar in 1987 is 1.8385 to 1.7870. March average 1.8355. Exchange rate index 146.1 against 142.6 six months ago.

There was no intervention at the fixing by the Bundesbank in Frankfurt when the dollar was fixed at DM 1.8205, unchanged from Wednesday. However, the West German central bank had been active during the morning in support of the US unit. Trading in the morning was extremely quiet ahead of the release of US GNP figures. These turned out to be above most expectations but closer inspection showed that the US economy was not as healthy as the figures suggested. The dollar closed at DM 1.8185 from DM 1.8230.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 141.10. March average 151.41. Exchange rate index 225.3 against 210.6 six months ago.

Heavy selling pushed the dollar weaker in Tokyo. It closed at Y141.15 down from Y142.05 in New York and Y142.70 in Tokyo on Wednesday. The fall came despite renewed intervention by the Bank of Japan to support the US unit. Most traders were awaiting the announcement of US GNP figures. Whatever the outcome, dealers remained bearish for the dollar, suggesting that a higher than expected figure and higher US interest rates would push the dollar firmer but in doing so it would meet with heavy profit-taking.

£ IN NEW YORK

Apr 23	Latest	Previous Close
£ Spot	1.6280-1.6290	1.6290-1.6300
1 month	0.42-0.39 pm	0.45-0.42 pm
3 months	1.15-1.10 pm	1.10-1.07 pm
12 months	3.30-3.20 pm	3.06-2.96 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0765	+1.46	+0.88	±1.5344
Danish Krone	7.85212	7.83345	−0.24	−0.82	±1.6404
German D-Mark	2.05853	2.07981	+1.03	+0.45	±1.0981
French Franc	6.90403	6.92014	+0.23	−0.35	±1.3674
Dutch Guilder	2.31943	2.34558	+1.13	+0.55	±1.5012
Irish Punt	0.768411	0.777597	+1.20	+0.62	±1.6684
Italian Lira	1483.58	1482.85	−0.05	−0.05	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Apr. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6280-1.6370	1.6360-1.6370	0.43-0.40c pm	3.04	1.10-1.05 pm	2.63
Canada	2.1762-2.1800	2.1780-2.1790	0.41-0.32c pm	2.01	0.75-0.60 pm	1.24
Netherlands	3.33¾-3.35¼	3.34¼-3.35¼	1½-1¼c pm	4.00	3¾-3½ pm	3.87
Belgium	61.30-61.65	61.55-61.65	18-11c pm	2.82	45-37 pm	2.76
Denmark	11.14¼-11.21¾	11.18½-11.19½	⅛-⅝ ore dis	−0.54	¼-1⅝ dis	−0.42
Ireland	1.1055-1.1110	1.1095-1.1105	0.10-0.25 p dis	−1.89	0.30-0.45 dis	−1.35
W. Germany	2.96-2.97	2.96½-2.97½	1½-1¼pf pm	5.56	4¼-4pm	5.64
Portugal	228.39-230.20	229.25-230.20	63-149c dis	−5.54	250-380 dis	−5.48
Spain	207.06-207.50	207.10-207.40	83-100c dis	−5.30	265-300 dis	−5.45
Italy	2109¼-2121¼	2113¾-2114¾	3-1 lire pm	1.14	6-1 pm	0.66
Norway	10.97¾-11.03½	11.02-11.03	3¾-4⅝ ore dis	−4.56	12¾-13½ dis	−4.74
France	9.83¾-9.90¼	9.86¾-9.87¾	1⅝-1⅛ c pm	1.67	4⅛-3⅝ c pm	1.52
Sweden	10.28½-10.33¼	10.31¼-10.32¼	½-¼ ore pm	−0.36	½ pm-½ dis	—
Japan	229¾-231¾	230¼-231¼	1¼-1 y pm	5.84	3⅝-3⅛ y pm	5.62
Austria	20.82-20.90	20.87-20.90	10-8⅝ gro pm	5.35	28¼-25⅞pm	5.18
Switzerland	2.42¼-2.43½	2.42¼-2.43¼	1½-1⅛ c pm	6.18	3⅝-3⅜ pm	5.77

Belgian rate is for convertible francs. Financial franc 61.80-61.90. Six-month forward dollar 1.80-1.75 c pm. 12-month 2.77-2.67 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Apr. 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6280-1.6370	1.6360-1.6370	0.43-0.40c pm	3.04	1.10-1.05pm	2.63
Ireland†	1.4668-1.4735	1.4720-1.4730	0.60-0.35c pm	4.70	1.63-1.50 pm	4.26
Canada	1.3270-1.3350	1.3315-1.3325	0.14-0.17c dis	−1.40	0.57-0.62 dis	−1.79
Netherlands	2.0455-2.0555	2.0455-2.0465	0.26-0.23c pm	1.43	0.86-0.81pm	1.63
Belgium	37.53-37.79	37.60-37.70	1pm-2 c dis	−0.16	3pm-2 dis	0.05
Denmark	6.83½-6.86½	6.83½-6.84	1.40-2.10ore dis	−3.06	4.90-5.60 dis	−3.06
W. Germany	1.8135-1.8230	1.8140-1.8150	0.43-0.40pf pm	2.74	1.37-1.32 pm	2.96
Portugal	140¼-140¾	140¼-140½	75-125c dis	−8.55	250-325 dis	−8.19
Spain	126.63-127.30	126.70-126.80	115-125c dis	−11.31	320-340 dis	−10.37
Italy	1291-1299	1291¾-1292¾	1.70-2.20lire dis	−1.80	5.50-7.50 dis	−2.00
Norway	6.73¾-6.75¼	6.73½-6.74	4.05-4.55ore dis	7.64	12.45-12.95dis	−7.59
France	6.03-6.04½	6.03-6.03½	0.60-0.75c dis	−1.34	1.65-1.90 dis	−1.17
Sweden	6.30¼-6.32½	6.30¼-6.30¾	1.30-1.60ore dis	−2.75	4.10-4.50dis	−2.72
Japan	141.05-141.70	141.20-141.30	0.35-0.32y pm	2.84	1.10-1.05 pm	3.04
Austria	12.76½-12.81¼	12.77¼-12.77¾	2.80-2.30gro pm	2.39	8.50-7.50 pm	2.50
Switzerland	1.4820-1.4910	1.4825-1.4835	0.44-0.39c pm	3.34	1.20-1.15 pm	3.16

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.75-37.85.

EURO-CURRENCY INTEREST RATES

Apr. 23	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	9⅞-10	9⅞-10⅛	9⅞-9⅝	9⅞-9⅞	9⅝-9⅞	9⅝-9⅞
U.S. Dollar	6¼-6⅜	6⅞-6⅝	6⅝-6⅞	6⅞-6⅞	7-7⅛	7⅜-7½
Can. Dollar	7¼-7⅜	7¼-7⅜	7⅝-7⅞	8⅝-8⅞	8½-8¾	9⅞-9½
D. Guilder	5⅜-5⅝	5¼-5⅜	5¼-5⅜	5⅜-5⅞	5⅜-5⅞	5⅜-5⅞
Sw. Franc	2¼-2½	3¼-3⅜	3⅝-3⅞	3⅞-3⅞	3⅞-4	3⅞-4⅛
Deutschmark	3¼-3⅜	3⅞-3⅞	3⅞-4	3⅞-4	3⅞-4	4-4⅛
Fr. Franc	7¼-7⅜	7⅞-7⅞	7⅞-8⅛	8⅛-8⅜	8¼-8½	8¼-8½
Italian Lira	8-9	8¼-9¼	8¼-9¼	9-9½	9¼-9⅝	9¼-10¼

FINANCIAL FUTURES

Gilts firm, but bonds weak

LONG TERM gilt futures were strong on the London International Financial Futures Exchange yesterday, showing independence from weak US Treasury bond futures.

Dealers said gilt futures benefited from pre-election euphoria, following Tuesday's opinion poll giving the Conservative Party a lead of 15 points over Labour.

June long term gilts opened slightly weaker at 123-29, on reports of selling in the cash market by Japanese investors, but soon recovered, on the underlying strength of sterling, and growing speculation about a June UK general election.

Failure of the government to call a June election would now be regarded as weakness, according to the market.

After touching a low of 123-26 the contract advanced, and closed at the day's high of 124-28, compared with 124-03 on Wednesday, on a report that the Prime Minister told the leader of the Opposition, in Parliament, the government would soon be "going to the country."

Three-month sterling deposits also opened weaker at 90.58 for June delivery, but recovered to close near the day's peak, at 90.65, against 90.59 previously, on hopes of a cut in UK bank base rates.

US Treasury bonds remained nervous and depressed by fears about the US economy and the weakness of the dollar. The US currency failed to sustain any lasting benefit from a larger than forecast rise in first quarter US gross national product growth of 4.3 per cent.

June Treasury bonds opened at 91-16, and fell to 91-14, before touching 92-13 and closing at 91-25.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	12.56	12.63	0.00	0.07
114	10.56	11.07	0.00	0.15
116	8.56	9.19	0.00	0.27
118	6.57	7.39	0.01	0.47
120	4.60	6.04	0.04	1.12
122	3.14	4.45	0.22	1.53
124	1.52	3.35	0.60	2.43
126	0.59	2.39	2.03	3.47

Estimated volume total, Calls 2,803 Puts 1,166
Previous day's open int: Calls 24,913 Puts 12,500

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
90	2.46	4.06	0.60	3.14
92	1.32	3.09	1.46	4.17
94	0.44	2.23	2.58	5.31
96	0.16	1.47	4.30	6.55
98	0.05	1.16	6.19	8.24
100	0.01	0.56	8.15	10.00
102	0.00	0.39	10.14	11.47
104	0.00	0.26	12.14	13.34

Estimated volume total, Calls 88 Puts 377
Previous day's open int: Calls 877 Puts 845

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Apr	Calls—Last May	Puts—Last Apr	Puts—Last May
19500	2.95	5.74	0.00	2.79
19750	0.45	4.35	0.00	3.90
20000	0.00	3.20	2.05	5.25
20250	0.00	2.29	4.55	6.84
20500	0.00	1.58	7.05	8.63
20750	0.00	1.06	9.55	10.61
21000	0.00	0.69	12.05	12.74
21250	0.00	0.43	14.55	14.98

Estimated volume total, Calls 27 Puts 7
Previous day's open int: Calls 375 Puts 257

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
June	0.6757	0.6760	0.6730	0.6728
Sep.	0.6809	0.6810	0.6785	0.6777
Dec.	0.6863	0.6863	—	0.6830
Mar.	0.6900	0.6900	—	0.6880

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	288.30	289.50	287.50	286.30
Sept.	290.20	291.60	289.45	288.00
Dec.	292.30	293.00	291.40	290.20
Mar.	293.50	294.40	—	291.40

Company Notice

To the "B" Shareholders of NOVO INDUSTRI A/S

Against delivery of coupon number eleven payment will be made of a dividend of 20% for the year 1986.

Information on the special taxation rules applicable to Shareholders resident in the United Kingdom or the Republic of Ireland may be obtained from the Company's office in Novo Allé, DK-2880 Bagsværd, Denmark, or from Morgan Grenfell & Co. Limited, Registrar's Department, 23 Great Winchester Street, London EC2P 2AX.

Payment will take place at Copenhagen Handelsbank A/S, 2 Holmens Kanal, DK-1091 Copenhagen K, Denmark, and at all the bank's branches.

24th April, 1987

NOVO INDUSTRI A/S

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, April 22, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London, New York, Tokyo, San Francisco, Los Angeles, Toronto.

24-hours a day trading capability.

Enquiries: 01-634 4360/5. Dealing 01-236 9861.

ECU=$US1.1412 SDR1=$US1.28891
As of April 22, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6 13/16	7 1/8
Sibor:	7 3/16	7 3/16

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.628	Papua New Guinea	Kina	0.9062
Albania	Lek	6.2039	Greece	Drachma	134.04	Paraguay	Guarani (o)	240.00
Algeria	Dinar	4.63	Greenland	Danish Krone	6.86		Guarani (p)	550.00
Andorra	French Franc	6.06	Grenada	E. Caribbean $	2.70		Guarani (d)	735.50
	Spanish Peseta	127.64	Guadaloupe	Franc	6.06	Peru	Inti (o) (n) (1)	15.22
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	22.05
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00		Inti (f) (1)	19.025
Argentina	Austral	1.538		Quetzal (n, l)	2.60	Philippines	Peso	20.51
Aruba	Florin	1.79	Guinea Bissau	Peso	170.479	Pitcairn Islands	N.Z. Dollar	1.7277
Australia	Dollar	1.4162	Guinea Republic	Franc	340.00	Poland	Zloty (o)	239.10
Austria	Schilling	12.808		Franc (j)	300.00	Portugal	Escudo	140.45
Azores	Portuguese Escudo	140.45	Guyana	Dollar	10.00	Puerto Rico	U.S. $	1.00

MONEY MARKETS

Record shortage

THERE WAS no basic change to the interest rate structure on the London money market yesterday. Sentiment remained good as a result of the NOP opinion poll giving the Conservatives a 15-point lead over Labour, and following Wednesday's money supply figures in line with expectations. Three-month interbank was unchanged at 9⅞-9¾ per cent.

The shorter end of the market firmed however, with one-week interbank moving up to 10¼-10 per cent from 9⅞-9¾ per cent, after the Bank of England forecast a record day-to-day credit shortage of over £2bn. The very large shortage was caused by a build up of VAT payments, which were cleared yesterday. These were delayed from last week by industrial action by government computer staff, and were the major factor in yesterday's Exchequer transactions figure of nearly £1.6bn.

UK clearing bank base lending rate 10 per cent since March 18-19

The Bank of England initially forecast a money market shortage of £2,050m, but revised this to £2,200m at noon, and provided total help on the day of £2,131m.

An early round of assistance was offered and at that time the authorities bought £633m bills, including £244m outright, by way of £111m bank bills in band 1 at 9⅞ per cent; £117m bank bills in band 2 at 9 13/16 per cent; and £16m bank bills in band 3 at 9¾ per cent.

Another £389m bills were purchased for resale to the market on May 1 at 9 11/16-9 13/16 per cent.

Further bill purchases of £581m were made by the Bank of England before lunch, including £102m outright, through £54m bank bills in band 1 at 9⅞ per cent; £46m bank bills in band 2 at 9 13/16 per cent; and £2m bank bills in band 3 at 9¾ per cent.

Another £479m bills were bought for resale to the market on May 1 at 9 13/16 per cent.

In the afternoon the authorities bought £917m bills, including £829m outright, by way of £2m local authority bills in band 1 at 9⅞ per cent; £411m bank bills in band 1 at 9⅞ per cent; £25m Treasury bills in band 2 at 9 13/16 per cent; £328m bank bills in band 2 at 9 13/16 per cent; £4m local authority bills in band 3 at 9¾ per cent.

Another £88m bills were purchased for resale to the market on May 1 at 9 13/16 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £463m, with Exchequer transactions absorbing £1,595m, and a rise in the note circulation £10m. These outweighed bank balances above target of £5m.

WORLD MARKETS

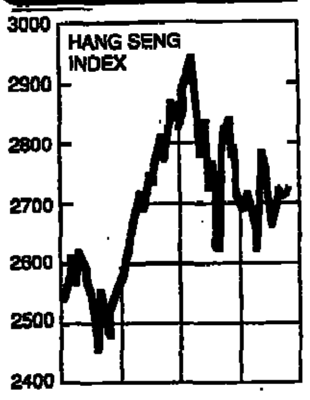
FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

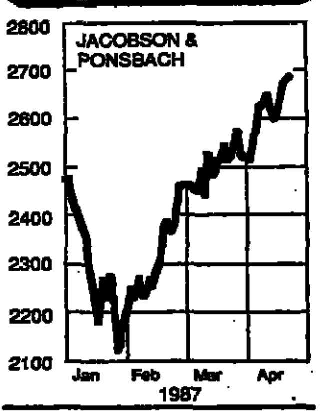
NATIONAL AND REGIONAL MARKETS	THURSDAY APRIL 23 1987					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	1987 High	1987 Low	Year ago (approx)
Australia (94)	128.66	+0.1	116.56	120.23	2.88	134.48	99.92	94.00
Austria (16)	92.45	+0.3	83.75	87.21	2.13	101.62	91.97	88.14
Belgium (47)	119.61	+0.8	108.36	111.50	4.24	120.40	96.19	82.83
Canada (131)	128.03	−0.7	115.99	123.49	2.25	136.17	100.00	100.23
Denmark (39)	112.91	+0.1	102.29	105.01	2.39	124.10	98.18	107.66
France (122)	119.94	+1.1	108.66	113.49	2.31	120.79	98.39	93.36
West Germany (90)	94.66	+0.0	85.75	89.29	2.07	100.33	84.00	92.92
Hong Kong (45)	103.39	+0.1	93.67	103.56	3.18	114.71	96.89	74.14
Ireland (14)	119.39	−0.2	108.16	114.25	3.70	131.44	99.50	91.27
Italy (76)	109.84	+1.1	99.51	105.99	1.53	109.84	94.76	88.86
Japan (458)	156.56	+0.1	141.84	139.79	0.47	156.56	100.00	73.00
Malaysia (36)	151.61	+1.5	137.35	144.80	2.64	151.61	98.24	68.93
Mexico (14)	151.82	+1.1	137.54	194.21	1.10	159.57	99.72	52.31
Netherland (38)	114.92	−0.3	104.11	107.31	4.10	118.24	99.65	88.59
New Zealand (27)	95.19	−0.1	86.23	86.58	3.09	100.59	83.93	70.66
Norway (24)	133.51	+0.9	120.96	122.10	2.06	133.51	100.00	106.19
Singapore (27)	126.13	+0.2	114.27	124.07	1.90	126.13	99.29	56.74
South Africa (61)	178.12	+2.0	161.37	118.00	3.32	186.74	100.00	98.60
Spain (43)	115.95	−0.9	105.05	111.34	3.41	121.31	100.00	81.19
Sweden (33)	121.39	+1.6	109.97	113.30	2.02	121.39	90.85	92.67
Switzerland (51)	97.61	+0.4	88.43	89.75	1.89	104.06	93.26	83.84
United Kingdom (342)	130.18	+1.1	117.93	117.93	3.52	133.88	99.65	99.50
USA (597)	117.62	−0.2	106.56	117.62	3.05	124.06	100.00	101.70
Europe (935)	115.82	+0.7	104.93	107.29	2.90	115.82	99.78	93.73
Pacific Basin (687)	153.56	+0.1	139.12	137.77	0.61	153.56	100.00	73.71
Euro−Pacific (1622)	138.51	+0.3	125.48	125.64	1.37	138.51	100.00	81.60
North America (728)	118.17	−0.2	107.06	117.96	3.01	124.60	100.00	101.62
World Ex. US (1828)	138.57	+0.3	125.53	125.58	1.43	138.57	100.00	82.41
World Ex. UK (2083)	130.41	+0.0	118.14	123.30	1.85	131.27	100.00	89.08
World Ex. So. Af. (2364)	130.07	+0.1	117.84	122.79	1.99	130.72	100.00	89.91
World Ex. Japan (1967)	117.94	+0.1	106.84	114.23	2.97	121.08	100.00	98.08
The World Index (2425)	130.38	+0.1	118.11	122.78	2.00	131.01	100.00	89.96

Base values: Dec 31, 1986 = 100

HONG KONG



SWEDEN



EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$420	146	35A	5	48	8	60A	$450
GOLD C	$440	194	19A	39	34B	24	45	"
GOLD C	$460	172	8	409	26	4	35	"
GOLD C	$480	659	4.50	32	16.50	59	26.50	"
GOLD P	$370	—	—	—	—	28	2	"
GOLD P	$420	8	1.50	34	7.50	—	—	"
GOLD P	$440	85	5.90	24	12.50	—	—	"
GOLD P	$460	35	15B	—	—	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$550	—	—	30	280	—	—	$834
SILVER C	$700	134	135	2	180	—	—	"
SILVER C	$750	36	710	20	105	24	135A	"
SILVER C	$800	—	—	73	100	4	120	"
SILVER C	$850	73	50	33	80	165	100	"
SILVER P	$700	28	12	—	—	—	—	"
£/FL C	Fl.320	20	15	—	—	—	—	Fl.335.24
		Apr 87		May 87		Jun 87		
$/Fl C	Fl.205	124	0.40	39	2.20	97	3.50	Fl.205.10
$/Fl C	Fl.210	—	—	16	0.80	47	1.50	"
$/Fl C	Fl.215	20	0.05A	—	—	82	0.90	"
$/Fl P	Fl.200	3	0.05A	66	0.90	—	—	"
$/Fl P	Fl.205	84	0.20	23	2.20	54	3.80	"
$/Fl P	Fl.210	113	4.80	15	5.80	40	7.10	"
$/Fl P	Fl.220	4	15	—	—	40	15.20	"
$/Fl P	Fl.235	—	—	—	—	28	30.30	
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.205	15	5.40	—	—	—	—	Fl.205.10
$/Fl C	Fl.210	53	3.20	10	4.60	5	5.60A	"
$/Fl C	Fl.215	15	2.20	—	—	40	4.20	"
$/Fl C	Fl.220	—	—	126	2.40	—	—	"
$/Fl P	Fl.200	—	—	6	6	—	—	"
$/Fl P	Fl.205	11	6.60	—	—	—	—	"
$/Fl P	Fl.235	3	31.60	5	32	—	—	"
		Apr 87		Jul 87		Oct 87		
ABN C	Fl.500	150	13.50	5	26	5	33	Fl.513.50
ABN P	Fl.520	209	8	43	27	25	38	"
AEGON C	Fl.90	342	1	70	5.50	15	6.60B	Fl.90.80
AEGON P	Fl.90	110	0.30	49	4.30	5	6.50	"
AHOLD C	Fl.110	133	0.30A	10	4.10	—	—	Fl.108.20
AHOLD P	Fl.110	166	2	13	6	—	—	"
AKZO C	Fl.140	759	0.10	186	3.90	80	7.40	Fl.137.60
AKZO P	Fl.120	—	—	12	1.50	670	2.80	"
AMEV C	Fl.65	4	0.10	59	3.20	58	4.70	Fl.63.90
AMEV P	Fl.65	50	1.50	51	4	104	5.90	"
AMRO C	Fl.80	99	0.20	701	4.40	15	5.60A	Fl.77.90
AMRO P	Fl.80	379	2	222	4.50	19	6	"
ELSEVIER C	Fl.260	415	1.50	54	13.50	—	—	Fl.261.50
ELSEVIER P	Fl.250	36	1.10A	12	8	—	—	"
GIST-BROC. C	Fl.45	897	3	176	3.80	366	5	Fl.48
GIST-BROC. P	Fl.45	39	0.10	125	2	5	3	"
HEINEKEN C	Fl.170	146	9.90	122	11.50	—	—	Fl.178.50
HEINEKEN P	Fl.180	54	1.50A	12	7B	—	—	"
HOOGOVENS C	Fl.35	1335	3.70	955	4.60	102	6	Fl.38.50
HOOGOVENS P	Fl.35	2361	0.10	556	2	309	3.40	"
KLM C	Fl.40	732	2.20	109	4.40	1	5.30	Fl.42.50
KLM P	Fl.45	83	2.70	29	3.70	425	5.20	"
NED. LLOYD C	Fl.160	86	0.50	522	4A	9	8	Fl.150
NED. LLOYD P	Fl.150	318	1.30	467	10	99	12.50	"
NAT. NED. C	Fl.70	94	4.10	6	6.30	46	7.20A	Fl.74.20
NAT. NED. P	Fl.75	107	0.90	45	4.50	52	5.60	"
PHILIPS C	Fl.50	2559	0.80	761	3.70	87	5.50	Fl.51
PHILIPS P	Fl.50	274	0.10	524	1.90	61	2.80	"
ROYAL DUTCH C	Fl.210	747	35.30	7	35.50	—	—	Fl.245.40
ROYAL DUTCH P	Fl.240	364	0.20	61	8.40	—	—	"
ROBECO C	Fl.105	—	—	—	—	22	1.90	Fl.100.30
ROBECO P	Fl.105	—	—	25	5.20	—	—	"
UNILEVER C	Fl.580	466	7	45	26	14	37	Fl.585.30
UNILEVER P	Fl.560	11	0.10	315	10.50	11	17.50	"

TOTAL VOLUME IN CONTRACTS: 48,383

A=Ask B=Bid C=Call P=Put

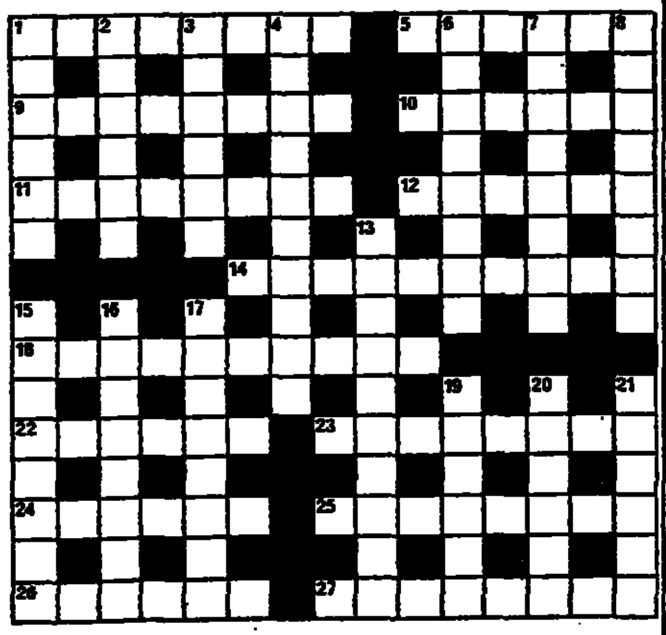
BASE LENDING RATES

	%
ABN Bank	10
Adam & Company	10
Allied Arab Bk Ltd	10
Allied Dunbar & Co	10
Allied Irish Bank	10
American Exp. Bk	10
Amro Bank	10
Henry Ansbacher	10
ANZ Banking Group	10
Associates Cap Corp	11
Authority & Co Ltd	10½
Banco de Bilbao	10
Bank Hapoalim	10
Bank Leumi (UK)	10
Bank Credit & Comm	10
Bank of Cyprus	10
Bank of Ireland	10
Bank of India	10
Bank of Scotland	10
Banque Belge Ltd	10
Barclays Bank	10
Benchmark Tst Ltd	10
Beneficial Trust Ltd	11
Berliner Bank AG	10
Brit. Bk. of Mid. East	10
● Brown Shipley	10
Business Mortgage Tst	10
CL Bank Nederland	10
Canada Permanent	10
Cayzer Ltd	10
● Charterhouse Bank	10
Citibank NA	10
Citibank Savings	¶12.45
City Merchants Bank	10
Clydesdale Bank	10
Comm. Bk. N. East	10
Consolidated Cred	10
★ Co-operative Bank	10
Cyprus Popular Bk	10
Duncan Lawrie	10
E. T. Trust	11
Equator'l Tst C'p plc	10
Exeter Trust Ltd	10½
Financial & Gen. Sec	10
First Nat. Fin. Corp	11
First Nat. Sec. Ltd	11
● Robert Fleming & Co	10
Robert Fraser & Ptrs	11½
Grindlays Bank	‡10
● Guinness Mahon	10
HFC Trust & Savings	10
● Hambros Bank	10
Heritable & Gen. Tst	10
● Hill Samuel	§10
C. Hoare & Co	10
Hongkong & Shangh'	10
Lloyds Bank	10
Mase Westpac Ltd	10
Meghraj & Sons Ltd	10
Midland Bank	10
● Morgan Grenfell	10
Nat Credit Corp. Ltd	10
Nat Bk. of Kuwait	10
National Girobank	10
Nat Westminster	10
Northern Bank Ltd	10
† Norwich Gen. Trust	10
PK Finans. Intl (UK)	10½
Provincial Trust Ltd	11
R. Raphael & Sons	10
Roxburghe G'rantee	10½
Royal Bk of Scotland	10
Royal Trust Bank	10
Smith & Williamson Secs.	10
Standard Chartered	10
Trustee Savings Bnk	10
UDT Mortgage Exp	¶11.1
United Bk of Kuwait	10
United Mizrahi Bank	10
Unity Trust PLC	9½
Westpac B'nking Corp	10
Whiteaway Laidlaw	10½
Yorkshire Bank	10

● Members of the Accepting Houses Committee. ★ 7-day deposits 5.35%. Sawewise 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¼% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,310

CINEPHILE



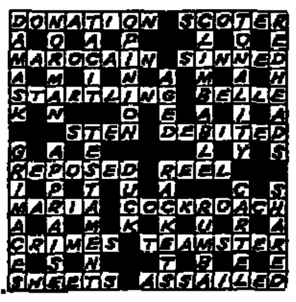
ACROSS

1 Insects from sky add it wrongly (8)
5 Soul of tipsy cheerfulness (6)
9 Appropriate tomb for Vanessa? (8)
10 Two thirds of crisis issue (6)
11 Victorian poet's father (?) *entertains vulgar Latin of* little worth (8)
12 Fug lines in foot (6)
14 Bombarded round most of river that's dried up (10)
18 Pebble in Arkansas? (6,4)
22 Friend shot, of little worth (6)
23 Brewing of tea during nuclear reaction? (8)
24 Capital left where Rostov is (6)
25 Driver of American lorry or Tees tram? (8)
26 Commendation gives one a quiet lift (6)
27 Journey into space beginning with disaster, we hear (4,4)

DOWN

1 Girl takes in guns for combat (6)
2 Biblical city discovered in 48AD, more or less (6)
3 South-Western beetle group (6)
4 South-Western vine, Rhodes product (10)
6 South-Western river reduced when swallowed by drinker (8)
7 South-Western grain barrier (8)
8 Happening to die horribly, having fallen fast? (8)
13 Record on canvas of *unhappy time . . .* (10)
15 Electronic circuit for a sandal (4-4)
16 Female runner finds article in Georgian city (8)
17,19 . . . Such fine warm days for mimulus or gorse . . . (8,6)
20 . . . In converse, gain the greater part of term (I quote the opening lines of Richard III) (6)
21 Waterproof for a man or a kitten (6)

Solution to Puzzle No. 6,309



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc.	271.2	288.5xd	-0.4	5.13
(Accum Units)	336.0	357.4	-0.6	5.13
UK Growth	337.8	359.3xd	+1.4	2.69
(Accum Units)	350.9	382.8	+1.3	2.69

MLA Unit Trust Management
1 Sinalers the Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	39.8	42.1	+0.2	1.77
MLA Income Trust	54.1	57.3	—	3.92
MLA Int.	42.7	45.4xd	—	0.81
MLA Gilt Unit Tst	25.6	26.3	+0.1	9.08
MLA European Trust	35.1	37.2xd	-0.1	0.47
MLA American Tst	26.9	28.5	-0.6	0.87
MLA Emerging Mkts. Tst.	24.0	25.4	—	0.70

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Inc.	119.0	125.3	—	7.06
Growth Units	97.9	103.4	—	2.68
High Income Unit	136.9	145.5xd	—	3.89
High Yielding Gilt Uts.	58.6	62.7xd	—	8.09
Intl Growth Unit Tst	157.9	167.8xd	—	0.32
UK Smaller Cos.	110.2	117.1	—	1.56
North American	80.7	85.8	—	0.42
Far East	141.6	150.5	—	0.92

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income April 13	296.0	314.9xd	—	3.55
General April 13	233.8	246.6xd	—	1.99
International April 13	155.0	164.9xd	—	0.64
Global Inc Fd April 13	48.6	51.7xd	—	5.08

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	302.7	322.7	-1.1	0.97
Income	223.0	237.4xd	+1.2	3.68
Worldwide Recovery	166.7	178.0	+1.0	1.65
American Growth	73.4	78.4	-0.4	0.95
Intl. Emerging Cos.	91.8	98.1	-0.3	0.69
Far East Growth Fd	97.2	103.8	-0.2	0.75
European Growth Fd	64.8	69.2	—	1.03

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	58.5	62.1	-0.2	3.80
Prolific Conv & Gilt	116.3	123.8	-0.1	4.74
Prolific Euro Gth&Inc	51.6	54.9	+0.5	2.57
Prolific Extra Inc.	114.5	122.3	-0.1	3.57
Prolific Far East	212.1	226.9xd	-1.4	—
Prolific High Inc.	77.7	83.2xd	—	3.52
Prolific Intl.	145.5	154.8	-0.1	0.26
Prolific N. Amer.	130.4	139.5xd	-2.0	—
Prolific Spec. Sits.	94.0	100.6	—	0.82
Prolific Technology	140.9	150.2	-1.8	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	100.2	106.4xd	-0.1	0.00
Japan Acc.	100.3	106.6	-0.2	0.00
Worldwide Inc.	78.0	82.4xd	+0.2	1.09
Worldwide Acc.	79.3	84.0	+0.1	1.09
European Tst Inc	96.0	102.2	+0.9	0.34
European Tst Acc	96.7	102.9	+0.9	0.34
North American Inc.	63.8	67.9	-1.1	1.26
North American Acc.	64.6	68.8	-1.1	1.26
UK Equity Inc.	79.9	85.3	+0.2	1.94
UK Equity Acc	83.5	88.9	+0.2	1.94
UK High Inc Eqty Inc.	58.6	62.4	+0.1	4.89
UK High Inc Eqty Acc.	59.7	63.6	+0.1	4.89
Hong Kong Trust	45.4	48.3	—	0.98
Swiss Equities Trust	46.0	48.7	+0.5	1.89

Mercury Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

INSURANCES

Cont. on next Page

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.
Pensions Funds

American (Cap)	315.5	331.4	-2.0	—
American (Acc)	439.4	461.5	-2.9	—
Building Soc (Cap)	94.0	98.8	....	—
Building Soc (Acc)	130.9	137.6	....	—
Deposit (Cap)	154.2	162.0	+0.1	—
Deposit (Acc)	214.7	225.5	....	—
European (Cap)	141.2	148.3	+1.1	—
European (Acc)	196.4	206.5	+1.5	—
Equity (Cap)	386.4	405.9	+1.6	—
Equity (Acc)	537.7	564.8	+2.2	—
Gilt (Cap)	244.3	256.6	+1.0	—
Gilt (Acc)	340.2	357.3	+1.4	—
Gold (Cap)	110.2	115.8	-0.5	—
Gold (Acc)	153.5	161.2	-0.7	—
Index-Linked (Cap)	93.4	98.2	+0.5	—
Index-Lnkd Gilt (Acc)	130.1	136.7	+0.7	—
International (Cap)	108.0	113.5	-0.6	—
International (Acc)	150.4	158.0	-0.9	—
Inputl Inc (Cap)	103.2	108.5	-0.7	—
Intl Inc (Acc)	143.8	151.1	-0.2	—
Japan (Cap)	148.9	156.5	+0.5	—
Japan (Acc)	207.4	217.9	+0.7	—
Managed (Cap)	305.9	321.3	+1.5	—
Managed (Acc)	425.9	447.3	+2.0	—
PPP Fund (Cap)	290.3	304.9	+2.6	—
PPP Fund (Acc)	404.3	424.5	+3.6	—
Pacific (Cap)	259.7	272.7	+2.1	—
Pacific (Acc)	361.6	379.7	+2.9	—
Property (Cap)	132.1	138.9	....	—
Property (Acc)	184.0	193.3	....	—
Recovery (Cap)	189.8	199.4	+3.5	—
Recovery (Acc)	264.3	277.7	+4.5	—
UK Income (Cap)	108.3	113.8	+0.5	—
UK Income (Acc)	150.8	158.5	+0.7	—
Personal Pension (Acc)	1620.5		+13.7	—

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	212.4	223.6	+0.4	—
Do. Accum	237.6	250.2	+0.5	—
Special Situations	192.5	202.7	+0.6	—
Do. Accum	215.2	226.6	+0.8	—
North American	178.5	187.9	-1.1	—
Do. Accum	199.5	210.1	-1.1	—
Pacific Basin	321.3	338.3	-1.4	—
Do. Accum	359.2	378.2	-1.5	—
Fixed Interest	213.9	225.2	+0.4	—
Do. Accum	239.1	251.7	+0.5	—
Property	117.0	123.2	....	—
Do. Accum	131.0	137.9	+0.1	—

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	186.2	196.0	....	—
Manac. 3 Prospect Fund	146.6	154.4	....	—
UK Equity Fd	216.1	227.5	....	—
Fixed Interest	145.7	153.4	....	—
Pacific	181.9	191.6	....	—
North American	119.1	125.4	....	—
Pens. Managed	215.2	226.6	....	—
Pens. UK Equity	251.6	264.9	....	—
Pens. Overseas Equity	298.2	313.9	....	—
Pens. Property	117.1	123.3	....	—
Pens. Fixed Interest	157.3	165.6	....	—
Pens. Index Linked	119.7	126.1	....	—
Pens. Deposit	142.9	150.5	....	—
P.R.P. UK Equity	108.7	114.5	....	—
P.R.P. Overseas Equity	105.5	111.1	....	—
P.R.P. Fixed Interest	106.3	111.9	....	—
P.R.P. Property	96.3	101.4	....	—
P.R.P. Index Linked	107.6	113.3	....	—
P.R.P. Deposit	98.0	103.2	....	—
P.R.P. Managed	107.2	112.9	....	—
P.R.P. With Profits	98.6	103.8	....	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680666

Fixed Interest	131.87	138.82	....	—
Guaranteed Deposit	117.71	123.70	....	—
International	176.31	185.58	....	—
Managed	144.72	152.33	....	—
Property	130.92	137.80	....	—
UK Equities	175.82	185.07	....	—
Pens Fixed Interest	123.82	130.33	....	—
Pens Grtd Deposit	118.27	124.49	....	—
Pens International	192.13	202.24	....	—
Pens Managed	153.38	161.45	....	—
Pens Property	143.56	151.11	....	—
Pens UK Equities	152.92	160.96	....	—

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Managed	285.4	300.5	+0.1	—
UK Equity	361.7	380.8	+0.2	—
Overseas Eq.	284.6	299.6	-0.9	—
American	235.8	248.3	-3.4	—
Far East	338.5	356.4	+0.1	—
Property	134.0	141.1	+0.3	—
Fixed Int	209.1	220.2	+1.2	—
Indexed Gilt	117.7	123.9	....	—
Deposit	132.4	139.4	....	—

Pension Fund Prices

Man. Initial	299.4	315.2	-0.3	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Funding 6½pc 85-87	[illegible]	.....	—	—
[illegible]	[illegible]	Treas. 10pc 1987	[illegible]	.....	10.00	9.75
99	[illegible]	Treas 3pc 1987	99	.....	3.03	7.58
[illegible]	[illegible]	Treas. 12pc 1987	[illegible]	.....	11.84	9.27
[illegible]	[illegible]	Treas 7¾pc 1985-88‡‡	[illegible]	[illegible]	7.82	8.98
[illegible]	[illegible]	Exch 10½pc '88	[illegible]	[illegible]	10.30	9.14
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	[illegible]	9.70	9.25
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	[illegible]	3.13	6.78
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.48	9.16
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.08	9.16
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.45	9.17
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.24	6.98
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.25	9.22
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	9.84	9.18
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.59	9.15
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.35	7.92
[illegible]	[illegible]	Exch 10¼pc Cv '89	[illegible]	[illegible]	9.75	7.88
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	11.88	9.01
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.52	9.05
[illegible]	[illegible]	Exch. 12¼pc 1990	[illegible]	[illegible]	11.51	9.04
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.37	7.02
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.38	8.82
104	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	9.74	9.07
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.90	6.87
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	10.86	9.09
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	.....	6.17	7.80
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	+¼	3.51	7.18
[illegible]	[illegible]	Treas 10pc Cv '91	[illegible]	[illegible]	9.34	7.99
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.27	9.05
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.20	9.08
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.67	9.09

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅞xd	24⅝	Sara Lee $1	27¼xd	+⅛	$2.00	—	4.4
10⅞	10⅞	Saul (B. F.) $1	10½		20c	—	1.2
79	62¾	Southwestern Bell $1	65	–½	$6.96	—	6.6
17¾	15¼	Staley Continental	15⅝	–⅛	80c	—	3.1
44⅞	36⅝	Sun Co. Inc. $1	39⅞xd	–1½	$3.00	—	4.7
74	60¾	TRW Inc. $1¼	62xd	–1¼	$3.20	—	3.2
31	26¼	Tenneco $5	28⅞	–⅞	$3.04	—	6.6
187½	153¾	Do. 10pcLn.Stk. 91-5	187½xd	+2	10%	—	5.4
26¼	17⅞	Texaco $6.25	18⅞xd	–⅞	$3.00	—	9.9
57¼	53⅞	Time Inc. $1	56½	–⅞	$1.00	—	1.1
14½	12¼	Tracor $0.33	12⅝	+¼	36c	—	1.7
24⅝	20¼	Transamerica $1	20¾xd	–⅛	$1.76	—	5.3
11	967p	Transworld Corp $5	10¼	+¼	20c	—	1.2
42¾	29¼	Trinova Corp.	39¾	+1½	$1.40	—	2.2
18¼	17½	USX $1	17⅞	+¼	$1.20	—	4.2
18½	17⅞	Union Carbide $1	18⅞	–⅛	$1.50	—	5.1
31⅞	27⅝	Utd. Technologies	27⅝	–⅛	$1.40	—	3.1
38⅝	30¼	US West	30½xd	–1	$3.28	—	6.6
33⅞	31⅞	Woolworth $3½	30½	–¼	$1.32	—	2.7

CANADIANS

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
23p	21p	Abbot Energy Corp.	22p		—	—	—
21	10½	Amer. Barrick Res.	18⅛	–⅛	—	—	—
83p	36p	Armeco	78p	–2	—	—	—
19⅝	15¼	Bk. Montreal	16¼	+⅛	$2.00	—	5.9
10½	849p	Bk. Nova Scot.	864p	+5	72c	—	4.0
20⅝	18⅝	BCE	19⅛	–⅛	$2.40	—	6.0
960p	712p	Bow Valley	890p	+6	10c	—	0.6
19¼	12¼	Brascan	16½	–⅛	88c	—	2.6
609p	279p	Breakwater Res.	490p	–34	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

For Hotels! Bar see Property

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

هكذا اصل الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
323	305	PWS Holdings 10p	312	–1	g9.25	2.9	4.1	11.7
386	326	Pearl Group 5p	359	–1	10.5	—	4.1	—
*950	808	Prudential	813xd	+1	29.0	—	4.9	—
499	433	Refuge 5p	449	–1	15.75	—	4.8	—
£10¼	854	Royal	895	+7	32.0	—	4.7	—
*344	288	Sedgwick Group 10p	291	.....	12.0	1.7	5.6	12.4
255	207	Steel Burrill J.10p	239xd	+1	9.0	2.0	5.2	13.3
505	424	Stewart Wr. 20p	425	–3	13.0	2.0	4.3	14.8
450	377	Sturge Hldgs 20p	414xc	+16	6.0	2.5	2.0	27.1
858	645	Sun Alliance	858	+5	23.5	—	3.8	—
£11⅞	944	Sun Life 5p	£11⅞xd	+⅛	28.5	—	3.3	—
£69⅞	£46¾	♦Taisho M EDR	£66⅛	+⅞	[illegible]	—	0.6	—
£21½	£16¼	Torchmark $1.00	£17¼	–¼	Q60c	—	2.1	—
335	240	Trade Indemnity	325xd	+5	4.3	—	1.8	—
£34	£27⅞	Travelers $1.25	£27¼	–¼	$2.28	—	3.0	—
£32½	£23¾	USLIFE Corp. $1.0	£24¼	–¼	Q$1.20	3.2	3.0	5.3
595	568	♦Utd Friendly B 10p	595	.....	†17.2	—	4.0	—
464	367½	Willis Faber 12½p	393	–1	10.75	♦	3.8	♦
60	41	Windsor Secs. 10p	59	–1	0.7	1.5	1.6	54.7

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
17	11½	♦A & M Group 10p	14	+½	0.4	2.0	3.9	17.5
76	69	A-R TV Pref. £1	76	.....	5.95	48.1	12.9	—
*549	302	Anglia TV	446	–3	g11.25	3.3	3.5	12.4
166	113	♦Aspinall Hldgs. 10p	158	–2	6.0	1.2	5.2	21.7
87	63	♦Avesco 1p	83	–2	10.5	6.6	0.8	21.3
48	40	♦BCE Hldgs 5p	43	.....	[illegible]	2.0	3.2	24.5
190	132	Barr & W.A.T. 'A'	188	.....	7.0	1.4	5.1	17.8
191	165	Boosey & Hawkes	192	+4	—	—	—	—
83	45	♦Border T.V.	62	+1	†g2.5	3.2	5.5	15.6
424	217	Brent Walker 10p	395	+10	G8.5	2.2	3.0	18.8
*187	110	Campari Int. 20p	167xd	.....	3.0	5.1	2.4	8.7
211	127	Capital Radio 10p	164	–3	W5.0	1.8	4.2	17.8
674	370	Central TV	594xd	–1	17.0	♦	3.9	♦
266	171	Chrysalis	255	–3	5.6	2.1	3.0	21.2

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 6	Apr 23	Apr 24	May 5
Apr 27	May 7	May 8	May 18
May 11	May 28	May 29	Jun 8

* New time dealings may take place from 9.00 am two business days earlier.

Bank shares feature firm equity sector and bonds move higher on retail buying

The tug-of-war in the London securities markets between domestic and international factors continued yesterday, with both sides finally working to the benefit of bond and stock prices.

Confidence in the Government's electoral prospects—encouraged by a hint from the Prime Minister that an election date might be announced soon—enabled bonds and equities to brush aside the overnight setback on Wall Street. In the final half hour, bank stocks exploded into activity on unconfirmed reports that Japan had agreed to lend $30bn to the Latin American debtor countries—a potentially favourable development for British banks already carrying debt from that region.

Equities closed at the day's best, backed up by a strong finish in the bond market. Both sectors recovered from a mid-session pause which greeted the latest gnp statistics from the US.

The FT-SE 100 index ended a net 12.6 up at 1968.3, and the FT ordinary index added 8.4 to 1555.2.

London opened cautiously as weakness in the US bond and equity markets, and also in the US dollar, again fuelled fears that Federal discount rate might be raised.

But both sectors soon turned upwards in continued response to the Government's strong standing in the latest UK opinion polls.

In equities, the advance was slow, and market turnover remained low by pre-Easter standards. At mid-session, prices slipped back briefly as London took an uncertain view of the GNP figures from across the Atlantic. However, with the US long-dated Federal bond soon recovering, London's bond market led stocks forward again.

Exporting issues improved after signs that the Bank of England had acted to keep sterling from rising too strongly. But gains were modest, with only Jaguar standing out in response to this week's news on sales. Oil stocks showed modest gains, showing nervousness as Wall Street opened.

On the broader front, Guinness gained 10½p to 331 in response to excellent trading profits—the £125m write-off was not unexpected. Also active was Hillsdown, down sharply as the joint chairman stepped down and sold 55m shares.

Banks surged ahead on the reports from Japan, with Lloyds, a strong feature in view of its South American involvement.

Government bonds had a successful session, and attracted retail interest from the UK and from abroad. Firmness in the pound soon outweighed worries about US interest rates, and by the close the longer dates showed gains of ¾ of a point. With a UK election in the offing, the City believes that British rates will remain steady over the next few months.

Clearing banks moved forward sharply after-hours' in belated response to an early afternoon agency report that Japan intends to lend up to $30bn to Latin American debtor nations. The news, coming hard on the heels of Argentina's planned rescheduling agreement, induced strong support which left Midland 36 higher at 674p and Lloyds 29 better at 534p. NatWest came to rest 17 up at 613p and Barclays firmed 15 to 520p. Elsewhere, Bank of Scotland gained 10 to 473p following comment on the impressive interim results.

Quality office furniture designers and manufacturers Alan Cooper staged a bright market debut, the shares opening at 148p and touching 150p prior to closing at 146p which compares with a placing price of 130p.

—Vaux were unsettled by the fund-raising proposals which accompanied the interim statement. First-half profits of £7.3m matched best expectations but a surprise £35.8m net rights issue plus a £25m debenture offering brought the shares back 10 to 568p. The funds are needed to consolidate the group's position as a major regional brewer and to expand its hotel interests.

Leading Buildings attracted selective support. Redland encountered a reasonable buyer and rose 4 to 429p, while Tarmac gained a similar amount to 492p ahead of results due shortly. Dividend buying boosted RMC 12 to 803p, while scattered interest left recently-dull Costain a shade dearer at 516p. Raine Industries reversed an early fall of 5 to close a penny better at 125p, while Wiggins gained 19 to 215p on talk of a broker's circular. Bid speculation prompted fresh demand for Aberdeen Construction which rose 16 more to 258p, while Blockleys gained a point to £18½ in a limited market.

Reports that the Tories would cut the basic rate of income tax to 25p, swiftly, in the event of an election victory attracted investors to leading retailers. Marks and Spencer continued to set the pace, rising 7 more to 222½p on buying ahead of the preliminary figures scheduled for May 6. Woolworth rose 21 to 799p and Storehouse advanced 13 to 300p, while Burton improved 9 to 285p and Dixons 8 to 376p. Next gained 5½ to 326½p and perennial takeover favourite Sears put on 6 at 136p. Elsewhere, technical considerations and expansion hopes helped Ratners feature with a rise of 21 at 366p, while renewed speculative support lifted Ward White 11 to 334p. Martin Ford rose 2 to 91p on Press comment and Etam ended 23 up at 265p following the results. Combined English found support at 272p, up 7, and W. H. Smith "A" closed 11 higher at 336p.

FINANCIAL TIMES STOCK INDICES

	Apr. 23	Apr. 22	Apr. 21	Apr. 16	Apr. 15	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	91.01	90.63	90.16	90.36	89.89	94.23	92.19 (23/3)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.07	96.79	96.96	96.83	96.55	97.51	97.98 (19/3)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,555.2	1,546.8	1,531.9	1,540.3	1,515.1	1,389.8	1,625.2 (24/3)	1,320.2 (2/1)	1,625.2 (24/3/87)	49.4 (26/6/40)
Gold Mines	435.4	438.3	453.5	444.5	479.9	265.5	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.74	3.75	3.79	3.87	3.93	3.88				
Earnings Yld.%(full)	8.60	8.57	8.69	8.67	8.80	9.60				
P/E Ratio (net) (*)	14.39	14.46	14.24	14.25	14.05	12.77				
SEAQ Bargains (5 pm)	38,943	33,090	31,964	31,735	34,700	—				
Equity Turnover (£m)	—	1,381.88	945.2148	1,244.48	1,322.56	722.61				
Equity Bargains	—	40,971	41,010	41,160	43,340	27,654				
Shares Traded (ml)	—	—	358.2	474.1	473.0	276.7				

S.E. ACTIVITY

Indices	April 22	April 21
Gilt Edged Bargains	124.5	96.4
Equity Bargains	265.5	265.7
Equity Value	2,793.5	1,910.5
5-Day Average		
Gilt Edged Bargains	128.0	130.0
Equity Bargains	278.8	288.2
Equity Value	2,529.4	2,415.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1541.4	1546.9	1549.4	1555.1	1556.5	1550.8	1554.2	1553.6

Day's High 1556.6. Day's Low 1541.1 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, †Corrected SE Activity 1974, *Nil=13.90.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Telephone Rentals continued to reflect bid hopes with a rise of 8 at 238p. Amstrad added 7 at 183p following its introduction on the Traded Option market and revived speculative buying lifted IBL 11 to 106p and Wordplex 7 to 153p. Micro Focus, however, fell 9 to 134p following the static annual earnings. Leading Electricals plotted an irregular course in moderate trading.

Engineers presented a mixed appearance. Comment on the annual results prompted a reaction of 10 to 630p in APV Baker and a fall of 13 in James Neill at 220p. Whessoe, down 20 at 108p were depressed by news of the rationalisation moves in its heavy engineering and high pressure pipework subsidiaries which are currently experiencing a severe under-utilisation of capacity. Fresh demand for Babcock International, up 8½ more at 201p, gave rise to vague takeover talk, while bid speculation persisted in Laird Group which closed 14 to the good at 345p. W. A. Tyzack improved 9 to 127p on news that Gild Investments has increased its stake in the company to 5.43 per cent. Simon were supported at 345p, up 9, but Hewden Group eased a few pence to 79½p on the board changes.

Confectionery issues gave a bright performance helped by rumours that the Japanese are set to lower tariffs on imported chocolate products. Cadbury Schweppes, additionally boosted by traded option activity, gained 5 to 249p, while Rowntree Mackintosh firmed 6 to 472p.

Hillsdown Holdings settled 12½ lower at 265p as the chairman, Mr D. Thompson, reduced his family holding to 15.4 per cent of the company via the placing of some 55m shares at 260p per share; it is understood that the share placing went very smoothly. At the same time, it was announced that Mr H. Solomon is to become a non-executive director.

Among Food Retailers, Kwik Save firmed 6 to 271p, the interim profits advance more than compensating for a slightly cautious statement.

Gains in the miscellaneous industrial leaders were usually limited to a few pence, but Trafalgar House moved up 11 to 330p in a relatively lively trade. Reckitt and Colman, overlooked of late, improved 19 to 973p on occasional buying interest. Elsewhere, British Vita responded afresh to the encouraging tenor of the chairman's annual statement and put on 11 further to 407p, but Hestair, down 5 at 211p, turned easier after the preliminary figures, proposed acquisition and vendor placing. Morgan Crucible gained 14 further to 357p in response to fresh demand on expansion prospects. Great Southern hardened 5 to 270p on the preliminary figures, while Spong bid hopes prompted a revival in Norank, which rose 23 to 243p. Scott Robertson, scheduled to reveal preliminary figues next Tuesday, advanced 20 to 240p in a limited market. Shiloh, also reporting annual results next week, gained 17 to 320p. Savage, still benefiting from acquisition news, rose 45 further to 338p. Alexander Workwear were noteworthy for a fain of 13 to 484p, but Platignum, 12p, and Hartons, 69p, both closed a shade lower after preliminary statements. Minty advanced afresh to 935p, up 20, but Wellcome, awaiting next Tuesday's interim results, drifted off to close 12 cheaper at 419p.

Jaguar rounded off another firm session 11 higher at 579p, underpinned by the chairman's optimism at Wednesday's annual meeting. Sir John Egan said exports were accelerating and that demand was increasing "to an unprecedented level." Motor Components were static and Distributors adopted an irregular trend. T. Cowie spurted 28 more to 488p, while Hartwell recovered 6 to 120p as bid speculation re-surfaced. Appleyard gained 8 to 238p, but H. & J. Quick dropped 10 to 225p and Glanfield Lawrence lost 3 to 116p. British Car Auction gave up 5 at 229p; the offer from Hawley has been declared unconditional.

Watmoughs advanced 10 to high for year of 455p following news of an excellent start to current trading, while International Business Communications hardened to 138p in recognition of Wednesday's impressive annual figures. BPCC were subdued, at 310p, by the announcement that Goldman Sachs had reduced its holding to below 5 per cent. Among Agencies, Bread St eased 2 to 68p following share stake changes; Govett Strategic Inv. Trust has acquired 8.3 per cent of the equity, paying 55p per share.

MEPC attracted renewed buying interest and firmed 7 to 399p, while recently-overlooked British Land revived strongly and gained 7 to 202p. Elsewhere in the Property sector, Helical Bar advanced 30 to 850p following Press comment, while Stockley put on 7½ to 107½p following speculative buying. Clarke Nickolls rose 10 to 195p on further consideration of Wednesday's results.

A Press report that Mercantile House could be ready to sell stockbrokers Laing & Cruickshank back to its management was swiftly denied, but enthusiasm for Mercantile House was undaunted. The shares, in the doldrums recently, rallied smartly to close 15 up at 342p.

The oil leaders were highlighted by BP which moved up 9 to 890p ahead of expected results from US subsidiary Standard Oil, where BP is currently bidding $70 a share to acquire the outstanding 45 per cent of the company.

Shell, due to announce an interim dividend on Monday, hardened to £11½, while Britoil, where traded options activtly commenced yesterday, rose 2½ to 234p.

Consideration of the deal between SHV and Tractebel prompted support for IC Gas, 6 higher at 724p. Elsewhere, Bula put on ¾ to 6p following Press comment. Cluff Oil moved up 6 to 96p reflecting its gold mining interests.

A widely fluctuating bullion price prompted a cautious and indecisive performance from mining markets. Bullion moved between $448 and $453 during the day, opening at $453 and retreating to $448, before picking up strongly late in the day to close a net $8.625 higher at $452.875. Movements in bullion were largely determined by trends in the dollar which lost ground for much of the day, and silver, which moved limit up at one point in the session.

South African Golds opened on a steady note and edged up first thing, boosted by bullion, but quickly turned down in the wake of metal prices. However, prices were much steadier after hours and the Gold Mines index was left with a 2.9 fall at 435.4. Sentiment in the sector was also upset by the latest outbreaks of civil unrest in the Republic of South Africa which caused another decline in the financial rand.

In leading Golds Randfontein dipped £3½ to £89½ and Western Areas 8 to 371p following a strike by around 24,000 black mine workers at the two mines. Elsewhere, losses in the leaders were usually restricted to around ⅛.

The rally in the bullion market transformed an initially depressed UK-domiciled financials sector. Down to 959p at one point Consolidated Gold Fields picked up strongly and ended the day a net 3 up at 973p. Rio Tinto-Zinc, fell to 915p on a mixture of profit-taking and lower metal prices before steadying to close 9 easier on balance at 924p.

Many of the Australian golds managed to make further headway, despite the latest decline in overnight Sydney and Melbourne markets. Sons of Gwalia moved up 10 to 728p, while Metana rose 15 to 643p, and GMK 20 to 453p.

Traded Options

Interest in Traded Options waned considerably with only 31,228 deals done, comprising 22,987 calls and 8,239 puts. Following the results, 2,649 calls and 698 puts were arranged in Guinness, while British Gas were quieter, recording only 1,360 calls. Yesterday saw the introduction of Amstrad and Britoil; the former recorded 1,097 calls and 460 puts and the latter 861 and 27 respectively.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (89)

BRITISH FUNDS (2), CANADIANS (1), BANKS (3), BREWERS (2), BUILDINGS (5), STORES (6), ELECTRICALS (5), ENGINEERING (8), FOODS (3), INDUSTRIALS (17), INSURANCE (3), LEISURE (2), MOTORS (1), NEWSPAPERS (2), PAPER (3), PROPERTY (9), TEXTILES (1), TRUSTS (9), OILS (3), OVERSEAS TRADERS (2), MINES (3), THIRD MARKET (1).

NEW LOWS (27)

AMERICANS (9) BankAmerica, Bankers N.Y., CSX Corp., Chase Manhattan, First Chicago, Lowe's, Merril Lynch, Pall Corp, Utd. Technologies, BANKS (2) Ansbacher, Cie B'cre, CHEMICALS (1) Morceau Hldgs., STORES (1) Ellis & Gold, ELECTRICALS (1) Renishaw, INDUSTRIALS (2) Limoges Porcelain, Waterford Glass, INSURANCE (2) Alex & Alex, Combined Intl., LEISURE (1) Scanro, PAPERS (1) JWT, SHIPPING (1) Gotaas, TRUSTS (5) F & C Eurotrust, Fleming American, Gartmore European, Kleinwort O'Seas Trust, Nth. Scotland Invs., OVERSEAS TRADERS (1) Tozer Kemsley.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system on Thursday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
Gen. Elect	2,800	196	−2	Sun Alliance	244	858	+5
Glaxo	1,100	£14½	+⅛	TSB	4,000	81½	—
Globe Investment	1,600	151½	+1	Tarmac	360	492	+6
Granada	2,600	303	+4½	Tesco	636	478	+1
Grand Met	622	475	−2	Thorn EMI	1,800	667	+12
GUS "A"	164	£12	+⅛	Trafalgar House	2,500	330	+11
Guardian R.E.	21	873	—	T'house Forte	946	231½	−1½
GKN	913	317	−1	Unigate	584	364	−2
Guinness	13,000	331	+10½	Unilever	294	£26⅞	−⅛
Hanson Trust	9,100	158½	+2½	United Biscuits	2,000	272½	−½
Hawker Sidd	316	486	—	Wellcome	811	419	−12
Hillsdown Hlgs	12,000	265	−12½	Whitbread "A"	264	317	−1
ICI	1,408	£12⅝	—	Woolworth	1,100	799	+21

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	106	1	6
Corporations, Dominion and Foreign Bonds	21	5	42
Industrials	413	531	601
Financial and Properties	137	148	301
Oils	28	30	53
Plantations	2	2	10
Mines	34	59	89
Others	48	103	73
Totals	789	879	1,175

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday April 23 1987

Figures in parentheses show number of stocks per section	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed April 22 Index No.	Tues April 21 Index No.	Thurs April 16 Index No.	Year ago (approx.) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thurs April 23	Day's change %	Wed April 22	xd adj. today	xd adj. 1987 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS

	Thurs April 23	Wed April 22	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*361)	330	60	70	—	4	8	—
	360	35	48	57	12	18	22
	390	20	30	38	22	28	30
	420	9	15	25	43	47	48
Brit. Airways (*145)	120	27	29	—	2½	5	—
	130	19	22	—	6	9	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*332)	260	75	85	—	1	3	—
	280	55	65	75	2	8	11
	300	38	53	62	4	15	20
	330	15	31	43	15	25	33
Ladbroke (*416)	373	48	55	—	2	6	—
	405	23	33	48	8	13	19
	443	3	17	25	37	40	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§150	F.P.	15/4	180	160	Admiral Comp'tng 5p	173	......	u2.13	3.6	1.7	22.6
§180	F.P.	15/5	201	189	Airtours10p	191	−1	R5.4	2.5	3.9	13.9
§215	F.P.	—	380	272	Barbour Index	360	......	R4.0	3.1	1.5	29.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO

Closing prices April 23

MONTREAL

Closing prices April 23

NEW YORK

Indices

NYSE-Consolidated 1500 Actives

TOKYO — Most Active Stocks
Thursday, April 23, 1987

LONDON — Most Active Stocks
Thursday, April 23, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	25.9m	98½	unch	Sears	9.9m	138¼	+ 5
Guinness	13.9m	331	+10½	Cadbury Schwps	6.7m	249	+ 5
Hillsdown Hlgs	12.9m	285	−12½	Amstrad	6.5m	183	+ 7
Brit Telecom	10.0m	259	+ 6	ASDA-MFI	5.2m	148	+ 2
Hanson Tr.	9.1m	158½	+ 2½	Mrks & Spncr	4.7m	222½	+ 7

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 49

Cominco to sell US units

BY BERNARD SIMON IN TORONTO

COMINCO, the Vancouver metals and fertiliser producer taken over last year by a consortium of Canadian, West German and Australian metals groups, is to sell the bulk of its US fertiliser assets as part of efforts to reduce debt.

The company separately announced first quarter earnings of C$5.5m (US$4.2m), or 1 cent a share, compared with last year's C$26.6m loss, equal to 48 cents a share before extraordinary items. The turnaround was due largely to improved zinc, lead and gold prices and higher concentrate sales.

The fertiliser assets to be sold include an ammonium nitrate plant near Beatrice, Nebraska, ammonia and area facilities at Borger, Texas and company-owned retail outlets. The Texas operations include a 900-mile pipeline and two large storage facilities.

The North American farm crisis has severely damaged Cominco's fertiliser division, which is the only producer and marketer of all three main fertiliser ingredients, namely nitrogen, phosphate and potash.

The Texas and Nebraska operations incurred a combined operating loss of C$18m last year on revenues of C$59m. Losses of the remaining fertiliser businesses, consisting mainly of potash and nitrogen operations in Canada, were C$0.4m in the first quarter of 1987, compared with a C$1.2m profit a year earlier.

Cominco's long-term debt stood at C$476m last December 31, down from C$674m at the end of 1985. The company aims to reduce debt by a further C$250m this year, partly to accommodate financing of construction of the rich Red Dog zinc mine in north-west Alaska.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:					
Aberdeen Con	258	+16	Morg Cruc	357	+14
Amstrad	183	+ 7	Ratners	368	+21
Appleyard	238	+ 8	Reck & Colman	973	+19
Babcock Intl.	210	+ 6½	Savage	338	+48
Brit. Land	201½	+ 6½	Storehouse	300	+13
Cadbury Schws.	249	+ 5	Tele. Rentals	238	+ 8
Cluff Oil	97	+ 6	Trafalgar Hse	330	+11
Cowie (T.)	488	+28	Tyzack (W.A.)	127	+ 9
Guinness	331	+10½	Wiggins	215	+19
Hartwells	120	+ 6	Woolworth	799	+21
Jaguar	579	+11			
Laird Grp	345	+14	FALLS:		
Lloyds Bk	534	+29	Hillsdown	285	−12½
Mrks & Spcr	222½	+ 7	Quick (H. & J.)	225	−10
Mercant Hse	342	+15	Randfon Ests.	£89½	− 3½
Midland Bk	674	+36	Whessoe	108	−20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quot	Ch'ge Prev. Close

Continued

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35¾	23¾	Petrie	.70	2.3	20	3568	31¼	30½	30⅞	−⅜
21¼	19¾	PtPar n				215	20⅝	20	20⅛	−¼
33	25⅜	PetRs	2.57e	8.2		52	31¾	31⅜	31⅜	−¼
20	15⅞	PetRs pf	1.57	9.1		42	17¼	16⅞	17¼	+¼
77	55¼	Pfizer	1.80	2.7	17	3790	68½	67⅛	67¾	+⅝
32⅛	16	PhelpD			29	1817	30¾	30¼	30½	−⅞
52½	51	PhlpD pf				806	52¼	52	52¼	−¼
58¾	48¼	Phelp pr	5	9.0		602	55⅞	55⅜	55⅜	
25	17⅛	PhilaEl	2.20	10.	8	3263	21⅝	20¾	21¼	+½
54	40	PhE pf	D4.68	10.		z100	46⅛	46⅛	46⅛	+⅛
87⅛	77	PhE pf	G8.75	10.		z380	85	84	85	+½
106	98½	PhE pf	S9.50	9.3		z200	102½	102	102	−½
13⅞	11¾	PhE pf	R1.41	11.		51	12⅝	12⅝	12⅝	+¼
128	113	PhE pf	Q14.63	12.		1	124	122¼	122¼	−3¾
13¼	10⅞	PhE pf	P1.33	11.		54	11¾	11⅝	11⅝	−¼
86⅜	69½	PhE pf	H7.85	10.		z1500	78½	74⅞	78½	+1
12⅞	10⅜	PhE pf	O1.28	11.		40	11⅝	11¼	11⅝	
134¼	109¾	PhE pf	N17.13	15.		z100	111	111	111	+½
124	110	PhE pf	M15.25	14.		z10	112	112	112	+1
105	89	PhE pf	L9.52	9.7		z10	98	98	98	−½
103	84	PhE pf	K9.50	10.		z1780	93½	91	93½	+2¼
88	69	PhE pf	J7.80	10.		z480	77½	75½	77½	+1½
85	68	PhE pf	I7.75	10.		z100	75	74	74	−2
19¼	13¼	PhilSb s	.94	6.1	13	12	15½	15¼	15½	+¼
92¼	59¾	PhilMr	3	3.5	13	10958	87	84¾	85	−½
22	13	Philipl s	.36	1.9	17	239	19⅛	17⅞	19	+1½
90¾	67	Philln pf	1	1.1		2	u92	92	92	+6
25⅞	16⅝	PhilGl	.70e	2.8	12	411	24⅞	24⅝	24⅝	−⅛
17	8¼	PhilPet	.60	3.9	17	4183	15⅝	15	15⅝	−⅛
24¾	19¼	PhlPt pf	1.87e	7.6		54	24⅝	24½	24⅝	
47⅞	34	PhilVH	.70	1.5	14	52	45¾	45	45½	
13½	6	Phlcrp n				196	6⅛	6	6⅛	−⅛
71	35¾	PiedAv	.32	.5	19	1345	68⅞	68¾	68¾	−⅛
71	49½	PiedA pf				25	67⅛	67⅛	67⅛	
24¼	17	PiedNG	1.32	6.1	11	32	22	21½	21½	−⅜
19¼	9½	Pier 1 s	.08	.5	26	235	17⅜	16⅞	17⅛	−⅛
11	7½	PlgRg	.26e	3.3		280	8	7¾	8	
15⅝	9¼	PlgPr n	.02e	.2	12	449	12	11½	11½	−⅜
46⅛	32⅜	Pilsby s	1	2.8	17	2309	36¾	36⅜	36⅜	−⅜
33½	21⅞	PionrEl	.13e	.5		51	24⅝	24⅝	24⅝	−⅛
46⅛	27⅜	PitnyB s	.76	1.9	16	2462	39¼	38⅝	39	
161	113½	PitnB pf	2.12	1.4		2	154	154	154	4¼
15⅛	10½	Pittstn			50	547	13⅞	13½	13⅝	
33¾	15⅞	PlainsP			60	214	32	30¾	32	+1
24⅞	14¾	Plantm	.16	.7	20	24	23	22⅞	22⅞	−⅛
14	5⅞	Playboy				88	13	12⅞	13	
40¾	23½	Plessey	.99e	2.6		25	38¼	38¼	38¼	⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8½	6⅞	SJuanB	.40e	5.6	15	126	7⅛	7⅛	7⅛	−¼
33	28	SAnitR	2.04	6.9	14	63	30	29¾	29¾	−⅛
26⅜	18¼	SFeEP	2.86	14.		31	20¼	20⅛	20⅛	
41¾	25¼	SFeSoP	1	2.4		22057	u42¼	37¾	41⅞	+2⅝
49⅛	28½	SaraLes	1	2.2	21	1404	45⅝	44½	45	−¼
51½	49¼	SaraL pf	2.75e	5.4		6	51⅛	51⅛	51⅛	
18	16	SaulRE	.20	1.2	44	1	17¼	17¼	17¼	+⅛
23⅛	14⅛	SavEP s	1	6.0	9	85	17⅜	16¾	16¾	−⅝
14½	12¼	SavE pf	1.28	9.6		2	13⅜	13⅜	13⅜	
4⅜	1½	Savin				1771	1⅝	1½	1⅝	+⅛
6½	3⅛	Savin pf				68	4⅞	4⅛	4⅛	+½
42⅞	30⅞	SCANA	2.32	7.1	11	573	33½	32¾	32¾	−⅞

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38¼	20⅞	Triain s	.12	.4	12	268	31⅛	31	31	−½
80¾	58¾	Tribune	.20	1.6	15	918	75⅝	72⅝	73½	−1⅞
3⅛	1⅜	Tricntr	.04e	1.5		10	2¾	2⅝	2⅝	+⅛
27⅞	13¼	Trinty	.50	1.9	55	2153	27	26⅜	26⅞	−⅛
86¼	42¼	Trinov s	1	1.6	9	634	84½	83⅞	83¼	−1½
21¾	13⅜	TritEng	.10b	.6	13	62	17¾	17⅜	17⅝	+¼
28⅛	20¾	TRE pf	2	7.5		9	26½	26½	26½	−¼
65	31	TucsEP	3.60	6.4	12	221	56	55⅜	55⅞	−⅛
24	14¾	Tultex s	.36	2.0	15	70	18⅛	18	18⅛	−⅛
18⅝	14¼	TwinDs	.70	3.9		5	17⅞	17¾	17⅞	+⅛
58⅝	29¾	TycoLb	.40	.9	19	810	46¼	44¾	45⅞	
17⅜	11¼	Tyler	.40	3.2	19	1789	13	12½	12½	−½

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7⅛	4½	WilshrO				32	5⅞	5¾	5¾	
17¾	13¾	Winchl n	.45e	3.3		242	14¼	d13	13½	−½
59	35¼	WinDix	1.80	3.9	18	462	46¼	45⅛	45¾	+½
20¾	9	Winnbg	.20	1.7	16	909	12¼	11⅞	12	¼
6⅛	2⅞	Winner				97	3	2⅞	3	
10⅝	5¾	WinterJ	.16e	2.7		14	5⅞	5⅞	5⅞	+⅛
54½	45½	WiscEn	2.68	5.5	10	587	49⅞	48⅝	48⅞	−½
60¼	43⅜	WiscPL	3.04	6.8	11	195	46¼	45½	45	
63	42⅝	WiscPS	3	6.5	11	215	46	45¼	45⅝	−⅛
47⅞	31⅛	Witco s	1.12	2.5	16	962	45⅛	43¼	45	+1
14	8⅛	WolvrW				83	13¼	12⅞	13	−⅛
54	37	Wlwth s	1.32	2.7	15	1432	49½	48½	49	−⅝
146	105¾	Wolw pf	2.20	1.6		10	139⅞	139	139	−2⅛
7¼	2	WrldAr				9	6⅝	6¼	6⅝	
19¾	14⅝	WrldVl n				58	17	16½	16½	−⅜
54	38⅞	Wrigly s	1.04	2.1	19	219	49½	48	48¾	
3⅞	1⅞	Wurltzr				24	2⅛	2⅛	2⅛	
18⅞	11	WyleLb	.32	1.8	32	17	17⅞	17¾	17¾	
25¾	17⅛	Wynns	.60	3.3	11	124	18	17¾	18	+⅛
		X Y Z								
78⅝	48⅝	Xerox	3	3.9	18	7434	76⅞	76⅛	76¾	+½
58¼	55	Xerox pf	5.45	9.8		46	55⅞	55½	55¾	+⅛
28¾	21½	XTRA	.64	2.5		175	25½	25	25⅜	+½
34½	15½	Yorkln			14	185	23	22⅝	22⅝	−½
6	2¼	Zapata				223	4	3⅞	3⅞	−⅛
43⅞	20¾	Zayre s	.40	1.6	16	3681	25⅛	24½	24⅞	+⅛
14¾	9¼	Zemex	.40	3.0	9	11	13½	13½	13½	
29⅞	16⅞	ZenithE				1022	26⅜	25⅞	26	−⅛
18¾	8	ZenLb s				907	11¼	10⅞	11	−⅜
20⅞	12⅜	Zero	.36	2.1	18	353	17	16⅞	16⅞	
51¾	32¾	Zurnin	1.32	2.8	18	111	47⅜	46⅝	46⅝	−⅛
10⅜	8¼	Zweig n	.10e	1.1		970	9¼	9	9	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
DWG			347	5⅛	5	5	
Damson			515	7-16	⅜	7-16	
DataPd	.16	21	320	13⅛	12¾	12⅞	−⅛
ICH		7	761	13¼	12⅞	13	−¼
ISS	.16	23	6	7	6¾	6¾	−¼
ImpOilg	1.60		215	50⅛	49¼	49⅜	−⅜
InstSy		14	257	2¼	2⅛	2¼	−⅛

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock		Sales (Hnds)	High	Low	Last	Chng
ADCa	15	132	20	19½	19½	−¼
ASK	26	530	14⅝	14	14¼	⅛
AST	11	273	17¼	16⅜	17	
AbingS		64	13½	12¾	13	
Actmdx	54	26	22¾	22¼	22½	−¼
Acuson	41	1112	17	16¼	16¼	−¼
Adapt		404	17¼	16	16	−1¼
Adias .10	32	180	24½	24¼	24½	+½
AdobSs	78	320	42	41½	41½	−½
AdvTel	30	975	19¾	19½	19½	
AdvoSy		202	8¾	8⅝	8¾	
AgcyRs t	25	246	22¼	21¼	21½	−½
Agnicog .20		1025	30¾	30	30⅝	+⅝
AirWisc	15	116	9⅝	9⅜	9⅝	+⅛
AlaFdl .27e	5	77	24	23½	24	
AlcoHlt	15	410	18¾	18⅜	18½	
AlexBr 16r	13	71	31½	30¾	30¾	¾
AlexBs 1.36	14	369	52	51¼	51½	¼
AllAmS	36	368	13½	12½	12¾	½
AlegW .30	12	1	28¼	28¼	28¼	+½
AllegBv		9737	11	10¼	10⅝	−⅛
Allrant	114	491	33¼	31½	32	−1
AlldBs		1792	9	d 8¼	8⅝	−⅜
Altos	28	657	13	12⅝	13	+¼
AWAirl	32	1032	9⅞	8⅞	8⅞	−¼
ABnkr .60	6	3432	12⅝	12⅛	12⅝	+⅛
AmCarr	9	15	10	9⅞	9⅞	−⅛
ACont .10e	7	60	14⅞	14½	14⅞	+⅛
AGreet .66	14	3206	27⅝	27¼	27⅝	+¼
AmInLf .40	11	1223	14⅝	14⅜	14⅝	
AMSs	33	270	35¼	34¾	34¾	¾
ANtIns 1.32	5	75	35¾	35¼	35¼	−½
ASvNY .15e	6	187	16⅝	16¼	16⅝	+¼
ASNYpf		52	21⅝	21½	21⅝	⅛
ASolns 12	22	1239	18¼	17¼	18¼	+⅞
ATvCm	78	454	22¾	22⅛	22¾	+⅜
AmFtFd		530	11	10½	10½	
Amritr 1.76	12	183	50½	50	50	⅜
Amgen	550	3610	39	37½	38½	+1
AmskBk .55	8	271	20¼	20	20¼	+¼
AMRE		82	28¾	27¾	28	−½
Amvst .20	28	17	10¼	10⅛	10¼	+⅛
Analogic	13	271	11⅞	11⅝	11¾	+½
AndvSv .45e		237	18⅜	18	18	¾
Andrew	17	191	16¼	16	16	
Anitecs .30	17	139	22¼	22	22¼	−¼
ApogEs .12	14	72	9¾	9⅝	9¾	−¼

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Fears of rising interest rates prompt selling

WALL STREET

THE DOWNTURN in the dollar and a weaker bond market forced Wall Street to trade nervously lower yesterday after early gains, *writes Paul Hannon in New York.*

Attention was focused on the latest gross national product figures for the first quarter which showed a stronger-than-expected increase in economic growth. This led to a bout of selling on fears that the federal reserve would be less reticent at pushing up interest rates in a bid to bolster the dollar.

The bond market posted early gains of almost ¾ of a point but closed lower as the dollar dropped. Reports that the Japanese central bank was prepared to intervene to stabilise the Yen and keep domestic interest rates low failed to aid sentiment.

The Dow Jones industrial average slipped 4.97 at the close to 2,280.97 although the transportation and utilities average managed small gains. Volume fell back to 174.4m shares.

Among blue chips, IBM closed steady at $154¼, Sears was unchanged at $53¾, General Motors was $½ higher at $87⅞ and McDonald's closed $¾ higher at $78⅜ after early losses.

Oils were mixed again with Texaco rising $1¼ to $31½ in active turnover while Pennzoil dropped $1½ to $74 in quiet trading as the two litigants agreed to resume their courtroom battle in Texas. Amoco was $½ weaker at $83 while Dome Petroleum, subject to a number of bids, shed $⅛ to $1⅛ in active trading.

The latest batch of corporate results offered much to digest. BankAmerica slipped an early $⅛ but closed $⅛ higher at $11⅞ on its first-quarter earnings of 34 cents per share against 31 cents. Chase Manhattan Bank jumped $1½ to $35⅞ in heavy trading and bankers trust recovered on the day to show a $1⅜ jump to $43⅜ after their results earlier in the week.

A surge in second-quarter figures for Walt Disney provided the entertainment group with some support and its shares traded down $⅝ to $63⅞ after showing early losses.

MCA, the west coast entertainment and property group, finished $¼ higher at $46¼ as its first-quarter earnings slipped to 37 cents per share from 41 cents.

Holiday Corp, which has hotel, casino and restaurant divisions, gained $1⅜ to $18⅜ on the strength of its doubling in first-quarter earnings to $1.53 to 77 cents.

Resorts International, the resort and tourism group, retreated $1½ to $54¾ in thin trading as the board considered modified recapitalisation proposals.

Quaker Oats, the foods to toy group, fared better with its third-quarter figures of 65 cents per share against 46 cents. It managed to hold onto an early $1¾ advance to $45⅝ in moderate trading.

Avnet, the diversified industrial and consumer products manufacturer, turned in poor third-quarter earnings of 14 cents per share compared with 25 cents and slipped $⅝ to $34⅝ in thin trading.

Maytag, which specialises in home appliances, performed well in the first quarter with earnings per share of 98 cents against 78 cents but finished unchanged at $57.

Among the lates industrial groups to report was Ingersoll-Rand with unchanged first-quarter earnings of 87 cents. The specialist engineering group fell heavily with a $2⅝ drop to $78.

Foster Wheeler, the process plant engineer, announced a special first-quarter charge of $1.4m and reversed early losses to trade $⅛ higher to $15⅝.

The motor sector was busy as Chrysler revealed its Lamborghini acquisition and traded $⅛ lower to $37⅝. Ford reported strong mid-April sales and reversed early falls to show a late gain of $¼ to $85.

The weaker dollar continued to feed bond market fears over federal reserve intentions on short-term interest rates. Stronger than expected GNP data added weight to the belief that the Fed was prepared to raise the discount rate and thus refuel inflation.

Early gains of almost ¾ of a point in the key long bond, the 7½ per cent due in 2016, were surrendered as the dollar lost ground and the bellwether issue showed net losses of about ½ 88²⁄₃₂ to yield 8.53 per cent.

Federal funds opened at 6⅝ and moved to 6¾ at which level the Fed announced a $1.5bn repurchase agreement.

Short-term rates were volatile with the three-month Treasury bills reversing early losses of 5 basis points to trade 5 basis points higher to 5.55 per cent by the close. Six-month bills, however, fell 10 basis points to 6.07 per cent and one-year issues were 1 basis point up at 6.66 per cent.

CANADA

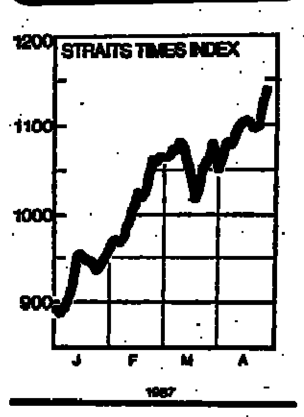
A RISE in interest rates prompted investors to take profits and push Toronto prices lower in hectic trade. All sectors except gold fell back.

Oil shares dominated trading, with troubled take-over target Dome Petroleum busiest. It dropped 9 cents to C$1.44 as its chairman, Mr J. Howard MacDonald, said Amoco's bid was the best on offer.

Husky Oil was second most active and it stock at C$11⅝ after shareholders voted to approve a deal putting 43 per cent of the group in the hands of Hong Kong interests.

Singapore keeps to high ground

SINGAPORE



ENTHUSIASTIC foreign and local buying took share prices to their third consecutive record in Singapore yesterday in active trading, *writes Our Markets Staff.*

The Straits Times industrial index pushed ahead by 7.99 to a peak of 1,139.64 for a rise so far this week of 44.48 points, or just over 4 per cent. Turnover was up at 65.2m shares, a rise of nearly 16m shares from Wednesday.

Interest focused on selected quality shares, while other blue chips succumbed to profit-taking.

Behind the market's gains lies a combination of optimism about the Malaysian and Singapore economies, good liquidity, and short-term factors such as today's Malaysian party elections, according to London analyst.

Mr Tim Pethybridge of Vickers da Costa says the market is content with the Asian Development Bank's forecast of around 5 per cent economic growth in Singapore this year as it gives weight to some of the more bullish of the Government's own predictions.

The property sector, crucial to market sentiment, is also showing signs of a good recovery. Straits Steamship, the property and energy services group, gained 12 cents yesterday to S$2.15 and led the active list with 8.7m shares changing hands.

As for liquidity, the Japanese are currently an important foreign presence in the market. "Singapore has always been a magnet for Japanese industrial money and now the financial assets are following," says Mr Pethybridge.

The elections in the ruling United Malays National Organisation today have kept the Singapore market on its toes over the past two weeks. Investors yesterday were seen to be hopeful of a victory for challenger Tengku Razaleigh, regarding him as the business community's friend. But the market is not expected to be seriously disappointed if Prime Minister Mahathir holds on.

The market has also received a boost from the new Malaysia Fund being established by Morgan Stanley and Arab-Malaysian Securities.

In addition, the huge success this week of the public offer of 25 per cent of Avimo Singapore, a subsidiary of United Scientific of the UK, may open the way for more high-tech stocks to seek a home on the Singapore stock exchange.

EUROPE

Nordic bourses scale new peaks

UNCERTAINTY ABOUT the dollar and gloom over Wall Street's poor overnight showing subdued buying on most European bourses. Strong domestic factors, however, pushed Scandinavian bourses to record highs.

Stockholm rose under the stimuli of falling domestic interest rates and strong demand for Volvo and Ericsson shares, taking the Veckans Affarer all-share index above 1,000 for the first time to close 10.4 up at 1,008.0.

Ericsson rose SKr 8 to SKr 298 in heavy buying following the French Government's decision to sell CGCT to a consortium led by the telecommunications group.

Volvo, the second most active share, added SKr 13 to close at SKr 326.

Big drug companies fell, however, with Astra SKr 15 down at SKr 700 and Pharmacia SKr 1 off at SKr 200.

Oslo kept up its recent pace and edged to a record high close amid bullishness about the effect of the firmer oil price on the economy. The all-share index rose 2.41 to 325.48 to beat the previous peak of 325.31 recorded in mid-November 1985.

Saga Petroleum led a strong oil sector with a NKr 5.5 jump to NKr 88.

Insurer Storebrand featured with a gain of NKr 5 to NKr 365, while Norsk Hydro was NKr 1 better at NKr 183.5. Industry and shipping stocks also firmed. Bank shares were among the few to fall.

Frankfurt dropped back from Wednesday's gains partly through profit-taking and partly through gloom over Wall Street's overnight decline. The Commerzbank index of 60 shares dipped 10.7 to 1,826.8.

Car stocks,. however, were still cheered by the resolution of the IG Metall dispute. BMW climbed DM 3 to DM 576.00 and VW picked up a further 50 pfennigs to DM 354.50. Daimler, though, gave up nearly a third of Wednesday's gain with a DM 10 fall to DM 1,020.00. Machinery maker Linde consolidated its gains with a DM 17 rise to DM 708.00 in an otherwise narrowly mixed sector.

Siemens, which failed in its bid for CGCT, fell back DM 8.30 to DM 714.00.

Hoechst pulled the chemical sector lower with news of a 4.7 per cent fall in net group profit for 1986. Its stock lost DM 2.20, while Bayer fell DM 4.00 to DM 310.00 and BASF DM 1.80 to DM 276.

Bank shares followed the downward trend, with Deutsche Bank DM 10.50 off at DM 647.50 and Dresdner and Commerzbank both losing DM 4 to close at DM 349.50 and DM 269.50 respectively.

Bonds rose in busy trade, with the Bundesbank selling DM 26.8m of paper after selling DM 104.1m on Wednesday.

Amsterdam fell in trade thinned by uncertainty over the dollar. Internationals suffered, with Royal Dutch off by Fl 3.70 at Fl 245.50 and Unilever Fl 4.70 donn at Fl 484.30. Philips, a loser in the race for CGCT, shed 60 cents to Fl 50.90.

Shipping group NedLloyd tumbled FL 22.20 to Fl 150 after reporting an almost 50 per cent fall in 1986 profits and forecasting further declines.

Zurich was mixed in light trade. Chemicals performed well, however, bolstered by Sandoz's late Wednesday announcement of a 9 per cent rise in first quarter sales against a year ago. Its bearer stock added SFr 200 to SFr 11,550.

Pharmaceutical Ciba-Geigy rose SFr 25 to SFr 3,250 after the group said it expects franc turnover to decline in 1987.

Brussels closed slightly firmer in a steady session. The Brussels SE index gained 15.78 to 4,587.80.

The recent rise in Reserve, the holding stock, attracted speculative interest which pushed it BFr 55 higher to BFr 3,755. Utility Ebes also rose strongly, BFr 140 to BFr 5,470, as the unions agreed to end a month-long strike.

Paris stayed firm after a spate of late buying. Matra, which combined with Ericsson to make the successful bid for CGCT, rose FFr 123 to FFr 2,855.

Milan moved higher as institutional and foreign investors returned to the market. Montedison moved a modest L15 higher after announcing sharply better profits to close at L2,965 amid market disappointment with the figures.

Madrid fell sharply in heavy profit-taking. Banks lost Wednesday's gains, but property shares broke the downward trend.

LONDON

CAUTION inspired by the weakness of US bond and equity markets was later overtaken in London by bullishness over the Government's electoral prospects and rumours of a $30bn Japanese loan package to Latin American debtors, leaving share prices near the day's highs.

The FT-SE 100 index closed up 12.6 up at 1,968.3 and the FT Ordinary index was 8.4 higher at 1,555.2.

Gilts attracted interest from both home and overseas and, as the firmness of sterling outweighed concern about US interest rates, the longer maturities closed ¾ of a point higher. **Details Page 46.**

SOUTH AFRICA

WITH THE BULLION price following no clear trend, Johannesburg gold share prices closed mixed and off earlier highs in featureless trading. The market was also depressed by reports of increased political and industrial unrest.

In golds, Randfontein lost R11 to R468.00, but Vaal Reefs rose R5 at R437.00, Kloof gained R1.50 to R43 and Driefontein Consolidated added R1.55 to R79.50.

Anglo American Corporation picked up R1 to R75.75 in a generally firmer mining financials sector. Gold Fields of South Africa was also R1 higher at R75.00.

Platinums and industrials closed moderately cheaper, but Barlow Rand edged 50 cents higher to R25.00 and South African Breweries rose 25 cents to R19.00.

Diamond share De Beers firmed by 25 cents to R42.00.

ASIA

Yen's strength fosters unease

TOKYO

A VOLATILE session left prices lower in Tokyo yesterday as investors grew uneasy about the market's course given the firmness of the yen against the dollar, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average 225 select issues advanced 158 at one stage in the morning but later tumbled to register a 147-point loss from Wednesday. However, buying increasing toward the end and the barometer managed to close above 24,000 again at 24,024.61, down 73.18.

Turnover fell steeply from Wednesday's 2.27bn shares to 1.16bn. Losses outpaced gains by 586 to 304, with 120 issues unchanged.

The early bullish mood which continued from Wednesday was dampened by fears of the dollar's possible decline below Y140 and investors sold mainly large-capital stocks.

The market has been cautious over current high prices, tending to concentrate buying on rising issues but selling quickly when the uptrend slackens, causing wide price fluctuations.

Selling overtook buying in large-capital stocks, which had been traded actively on Wednesday. Turnover in Nippon Steel was again active but the stock fell Y5 to Y385. Nippon Kokan dropped Y5 to Y360 and Mitsubishi Heavy Industries Y11 to Y649. Nippon Yusen was Y18 down at Y666.

However, Ishikawajima-Harima Heavy Industries, favoured by speculators, rose Y19 to Y749 on the day's largest. trading of 104.29m shares.

Investors also sought Mitsui Toatsu Chemicals, appreciating its seed business biotechnology, pushing it up Y51 to Y752 on the heavy trading of 62.16m shares.

The yen's advanced increased small-lot selling of blue chips, particularly electricals. Hitachi finished Y17 down at Y893, and Sony and Matsushita Electric Industrial fell Y80 to Y2,760 and Y70 to Y1,470.

The benchmark 5.1 per cent government bond due in June 1996 regained popularity in heavy trading, and the yield nose-dived to an all-time low of 3.455 per cent from Wednesday's 3.605 per cent.

However, the price of the 4.7 per cent government bond maturing in June 1997, which had been traded more heavily than the barometer issue in the past few sessions, gained only moderately, with the yield dipping from 3.785 per cent to 3.775 per cent.

Turnover came to a mere Y200bn, compared with Y4,800bn for the benchmark bond. Analysts said buying declined steeply because of the 4.7 per cent bond's lesser liquidity and the precipitous fall in the yield in the first few days of the week.

AUSTRALIA

THE EASIER trend continued in Sydney as Wall Street's overnight losses and an absence of overseas investors combined with profit-taking to push the All Ordinaries index down 11.3 to 1,743.4 in quiet trading.

The rise in New York silver prices gave a boost to some mining stocks, but the sector was mixed. Among golds, GMK and Emperor added 20 cents each to A$9.90 and A$8.80, but Kidston lost 20 cents to A$8.60 and Central Norseman the same to A$3.40.

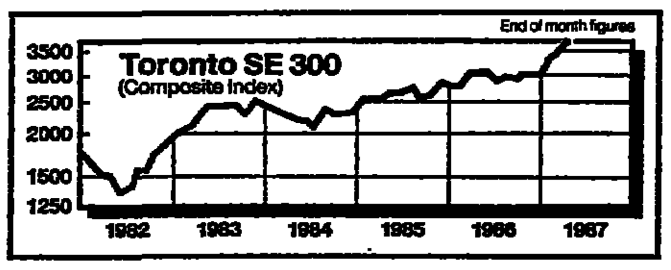
BHP, the largest company listed, ended just 5 cents easier at A$11.40 after falling as low as A$11.30 as more than 23m of its shares changed hands in mainly options-related trading.

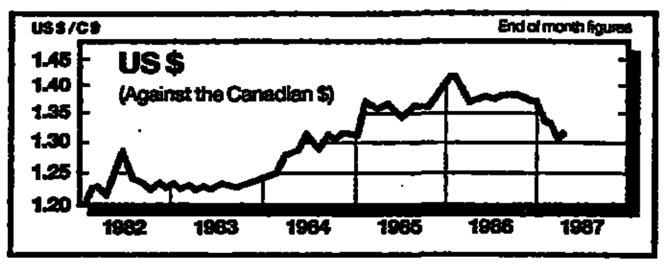
HONG KONG

AN ATTEMPT at a rally in Hong Kong was cut short by selling late in the session and the Hang Seng index ended just 3 higher at 2,719.89 after gaining 20 points earlier.

Overseas investors were active in the market, showing particular interest in properties, but local investors remained cautious over the US-Japan trade dispute and the possibility of a rise in interest rates.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	April 23	Previous	Year ago
DJ Industrials	2,302.7	2,285.94	1,829.81
DJ Transport	933.81	928.5	813.79
DJ Utilities	203.59	202.84	2,185.0
S&P Comp.	286.82	287.19	241.75
LONDON FT			
Ord	1,555.2	1,546.8	1,389.8
SE 100	1,968.3	1,955.7	1,632.7
A All-share	986.05	981.42	794.72
A 500	1,093.04	1,088.77	869.05
Gold mines	435.4	438.3	257.5
A Long gilt	9.02	9.07	7.23
World Act. Ind	130.22	131.06	127.87
TOKYO			
Nikkei	24,024.61	24,097.79	15,749.0
Tokyo SE	2,154.39	2,169.31	1,248.55
AUSTRALIA			
All Ord.	1,743.3	1,754.8	1,207.3
Metals & Mins.	1,079.3	1,139.2	531.3
AUSTRIA			
Credit Aktien	199.58	200.03	130.69
BELGIAN SE	4,587.80	4,571.93	3,681.25
CANADA			
Toronto			
Met.& Mins.	2,738.8	2,752.4	2,185.0
Composite	3,766.4	3,788.5	3,098.3
Montreal			
Portfolio	1,856.82	1,884.69	1,593.95
DENMARK SE	197.64	187.90	249.39
FRANCE			
CAC Gen	454.70	461.90	391.0
Ind. Tendance	114.70	113.90	94.8
WEST GERMANY			
FAZ-Aktien	603.92	607.34	724.94
Commerzbank	1,826.80	1,837.50	2,204.0
HONG KONG Hang Seng	2,719.89	2,716.89	1,783.19
ITALY Banca Comm.	780.18	758.68	764.20
NETHERLANDS ANP CBS			
Gen	286.40	287.90	271.3
Ind	267.80	267.40	257.8
NORWAY Oslo SE	425.82	423.33	361.23
SINGAPORE Straits Times	1,139.60	1,132.50	576.65
SOUTH AFRICA JSE			
Golds	—	2,163.0	1,182.3
Industrials	—	1,806.0	1,085.1
SPAIN Madrid SE	233.66	237.95	172.36
SWEDEN J & P	2,726.94	2,681.80	2,372.95
SWITZERLAND Swiss Bank Ind	594.50	593.90	593.0

COMMODITIES (London)

	April 23	Prev
Silver (spot)	509.10p	481.35p
Copper (cash)	£877.50	£897.50
Coffee (July)	£1,339.00	£1,135.00
Oil (Brent)	$18.15	$18.025

GOLD ($/oz)

	April 23	Prev
London	$452.875	$444.25
Zürich	$450.25	$446.00
Paris (fixing)	$450.50	$445.31
Luxembourg	$453.50	$446.25
New York (June)	$481.00	$432.50

CURRENCIES (London)

	US DOLLAR April 23	US DOLLAR Previous	STERLING April 23	STERLING Previous
$	–	–	1.6365	1.6275
DM	1.8145	1.8240	2.97	2.9675
Yen	141.25	142.35	231.25	231.75
FFr	6.0325	6.0675	9.8725	9.875
SFr	1.4830	1.4970	2.4275	2.4375
Fl	2.0460	2.0595	3.3475	3.3525
Lira	1,292.0	1,300.50	2,114.25	2,116.5
BFr	37.65	37.75	61.60	61.45
C$	1.3320	1.3305	2.1785	2.1665

INTEREST RATES

Euro-currencies (3-month offered rate)	April 23	Prev
£	9 13/16	9 13/16
SFr	3 13/16	3½
DM	4	3 15/16
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	7	6 15/16
6-month US$	7 3/16	7⅛
US Fed Funds	6¾*	6¾
US3-month CDs	6.50*	6.925
US3-month T-bills	5.415*	5.59

FINANCIAL FUTURES

CHICAGO

	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	91-18	92-18	91-05	92-06
US Treasury Bills (IMM) $1m points of 100%				
June	94.02	94.06	93.90	94.06
Certificates of Deposit (IMM) $1m points of 100%				
June	–	–	–	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.76	92.79	92.67	92.85
20-year Notional Gilt £50,000 32nds of 100%				
June	124-28	124-28	123-26	124-03

US BONDS

Treasury

	April 23 Price	April 23 Yield	Prev Price	Prev Yield
7¼ 1989	99 23/32	7.33	98 31/32	7.109
7 1994	94	8.141	94 15/32	8.042
7¼ 1996	93 3/32	8.314	93 15/32	8.243
7½ 2016	89 9/32	8.516	89 30/32	8.434

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index (April 23)	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.76	−0.03

Source: Merrill Lynch

Corporate

	April 23 Price	April 23 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.72	6.45	93.39	6.20
SCBT South Central 10⅞ Jan 1993	103.25	10.13	103.0	10.18
Phibro Sal 8 April 1996	92.79	9.20	93.65	9.05
TRW 8⅞ March 1996	97.90	9.20	98.0	9.08
Arco 9⅞ March 2016	101.75	9.69	102.75	9.59
General Motors 8⅝ April 2016	84.75	9.71	85.50	9.62
Citicorp 9⅞ March 2016	92.0	10.24	93.125	10.11

Source: Salomon Brothers

* Latest available figures